THE LIVING AGE

CONTENTS

for June, 1933

Articles

THE FIGHT FOR GOLD ..... *Francis Delaisi* 294
TOPICS OF THE TIMES
I. APPEAL TO EUROPE ..... *R. N. Coudenhove-Kalergi* 310
II. THE HOPE OF HITLERISM ..... *Sir Evelyn Wrench* 312
III. MUSSOLINI'S REAL GAME ..... *Pierre Dominique* 314
IV. REVOLUTION IN GREECE ..... *Cyril Connolly* 318
V. MORE OIL FROM IRAK ..... *Dr. Adolf Reifenberg* 322
VI. FLIGHT FROM THE TROPICS ..... *Hans Kampf* 324
CASUALS OF BERLIN ..... *Heinrich Hauser* 335
RUSSIAN SECRET-SERVICE SECRETS ..... *Xavier de Hauteclocque* 345
TWO MEN OF GLASGOW ..... *David Warren Ryder* 354

Departments

THE WORLD OVER 283
PERSONS AND PERSONAGES
HANS FALLADA ..... *H. A. Wyk* 328
ANDRÉ MAUROIS ..... *Harold J. Laski* 332
BOOKS ABROAD 363
AS OTHERS SEE US 368
OUR OWN BOOKSHELF 373
WAR AND PEACE 376

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THE GUIDE POST

MANY attempts have been made in recent weeks to explain the world currency muddle, but not one of them, in our opinion, can hold a candle to Francis Delaisi's leading article in this issue. He goes back to 1914, explains what happened to the monetary systems of Europe and the United States during the War and immediately afterward, describes the subsequent stabilizations of European currencies, and then discloses the fight for gold that started with the Wall Street crash and came to a climax when the United States stopped gold payments on March 4. We do not usually print articles as long as M. Delaisi's, but if he had taken twice as many words to say what he has to say we should not have cut one of them.

PARTLY as an antidote to the long Delaisi piece and partly because so many topics clamor for attention, we have assembled a group of six short articles on a variety of themes. Leading them off comes our old friend, Count Richard Nicolaus Coudenhove-Kalergi, originator of the Pan-Europa movement, whose hopes of European unity were never darker than they are to-day.

EVELYN WRENCH, editor of the London *Spectator* and head of the English-Speaking Union in England, has been visiting Germany and interviewing some of the leading men in the Nazi movement. Not all his impressions of the new masters of Germany are favorable, but we reprint one of his articles which does its best to explain and justify the acts of the Nazis. So much attention has been given to the physical brutalities and the intellectual shortcomings of the Third Reich that we are glad to find at least one honest and intelligent journalist who relates the whole Nazi movement to the past eighteen years of German history and who does not treat Hitler as if he were an irresponsible lunatic who came into prominence by pure chance.

PIERRE DOMINIQUE will be recalled as the author of a short story in our last month's issue entitled 'After the Deluge.' Four months ago he and Alfred Fabre-Luce and Jean Prévost set themselves up as editors and sole contributors to a new weekly political journal called *Pamphlet*, from which his article on Mussolini is translated. Having always insisted that Italy would never go to war with France and that her very existence depended on the good will of England, we are glad to find M. Dominique analyzing Mussolini's foreign policy from this point of view. He suggests that the moment is at hand when Italy will come into the open as a supporter of France.

THE Balkans always provide good copy for the visiting man of letters, and Cyril Connolly made the most of his opportunity to describe a queer little revolution that broke out in Greece in the early spring. What a relief to discover a situation wholly typical of the disturbing times in which we live and yet so perfectly suited to humorous treatment.

IF the major nations of the world emerge from the present crisis in recognizable form, the problem of the world's oil supply will continue to be one of the chief stakes in the diplomatic game. As we go to press Bolivia and Paraguay have declared war for no other discernible reason than that the disputed Chaco district contains oil reserves that the Standard Oil Company would like to exploit under the auspices of Bolivia and that the Royal Dutch-Shell would like to exploit under the auspices of Paraguay. Our article translated from the *Berliner Tageblatt* and written in the Near

(*Continued on page 375*)

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ughly parallel lines. The Hitler Terror has subsided temporarily and s financial backers are regaining some of the confidence that they lost hen his followers got out of hand, but the boomlet that struck the erlin Stock Exchange for two weeks after the election has collapsed. erman big business lacks even the hope of revival that persists here.

The two best things the Nazis have done are to pass a new 'Law for he Uniformity (*Gleichschaltung*) of the States of the Reich,' which transforms Germany from a federal into a centralized state, and to begin putting various industries under unified controls. These moves toward centralization should increase the operating efficiency of the political and economic machinery, but the dominance of the Hitlerites at every vital spot is not what their financial supporters bargained for. Nor do the contradictory economic policies of the Nazis give any indication of improving the condition of the masses. The institution of private property is to be maintained, Communism is to be avoided, and the small business man is to be favored. But at the same time private industrialists are being replaced on the industrial councils by Nazi appointees, high incomes are to be leveled down, and a corporate state is being developed in which the individual will be at the mercy of a vast bureaucracy.

Time will tell whether the Roosevelt policies will be caught in the same contradictions that seem certain to destroy Hitler—possibly the New Deal will be more successful than the Third Reich in nationalizing industry and at the same time winning praise from Henry Ford and J. P. Morgan, in retaining the support of the small business men and independent farmers and at the same time usurping the powers of their elected representatives—not to mention abolishing unemployment. In the meanwhile Germany, as well as America, may embark upon inflation and all the redistribution of wealth that such a policy involves. In spite of Dr. Schacht's assurance that 'the future currency policy will remain true to its task of maintaining the stability of the mark,' the London *Statist* says:—

> Though it is absurd to talk of Germany's abandoning the gold standard, as she has not effectively operated it since July 1931, the possibility of a depreciation of the currency cannot be discounted. Given the requirements of the foreign-debt services, it would seem that the maintenance of the external value of the mark would require either further foreign-exchange restrictions in order to check imports or an increase in exports. Exchange restrictions of one sort or another have already gone to considerable lengths, and it is doubtful whether they could be increased without damaging the German economy. In this connection it is important to observe that while the export surplus in the first two months of 1933 was only 86 million marks, in the first two months of 1932 it was 184 million marks, the decline being due to the fact that though imports had been reduced by 140 million marks, exports had fallen by 238 million marks.

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THE LIVING

Founded by E. Littell

In 1844

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The World Over

SO MUCH BALLYHOO has emanated from the high places of America in recent years that the latest epidemic of obituaries on the depression may have thrown a serious scare into some of our more skeptical citizens. For the height of the authority from which our reassurances used to come always served as an accurate measure for the depth of the subsequent and inevitable decline. The current revivalist campaign might therefore seem to indicate that the end of the world is at hand. We are glad to report, however, that the foreign press gives slight indorsement to such gloomy forebodings. Whereas the prophecies of Mr. Hoover seldom received serious attention abroad and therefore had to pass almost unchronicled here—a circumstance that gave our pages an air of remarkable sagacity—Mr. Roosevelt's more temperate statements are being issued at a time when the United States has begun to undergo some of the same changes that are occurring elsewhere.

In our January issue we quoted the foreign press as emphasizing the revolutionary implication of the Democratic presidential victory. In April we suggested that events in Germany foreshadowed events in the United States. Last month we pointed out that Hitler's counter-revolution had introduced the world to a new form of Fascism. Even allowing for the enormous differences between Germany and the United States in respect to tradition, geography, density of population, economic structure, and national history, events in the two countries are following

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NOR IS Germany the only country that seems to be going the way of the United States. Changes have begun to ferment in England, too. An anonymous correspondent of the London *Economist* who has been in frequent contact with business opinion in all parts of the country states that 'the business world of to-day has no use for existing party politics in the usual sense of the word.' He says that if the synthetic business-man voter were to talk to a Member of Parliament who supports the National Government, he would say something like this:—

> I supported you in 1931 because the nation was in danger and a united national effort was needed. I want to continue supporting you to-day, because I am sick of party politics and because a National Government is still essential. But I warn you, and the Government, that you are making it very difficult for me to do so. You must realize that conditions are very different from what they were in 1931. The time for blind economy has passed, and if you are to 'save the nation,' its finances and its currency, you must at all costs get things moving, both in home and foreign trade, even if you have to take a risk. I appreciate fully what you have done to make our base secure. You have balanced the budget, restored confidence in the pound, reduced the adverse trade balance, and lightened the burden of the national debt. All this was necessary before we could advance. But the time has now come for the advance, and I look to you to make it. In my judgment, unless you get a move on, both the trade and the Government of the nation are doomed to disaster, and, while no circumstances will make me support Labor, or indeed any of the old political parties, I shall cease to support you. Instead I shall look for a new alignment that will bring new and progressive minds of all parties together. And, if that fails me, I shall lose faith in democracy and at the next election refuse to vote.

Four weeks later the *Economist* itself seriously envisaged the possibility of a full-fledged Fascist movement in Great Britain:—

> Let us imagine, at some distant date, a really violent plunge by the electorate, comparable with that of 1931, but in the opposite direction, and let us suppose that a really Socialist Government, placed not only in office, but in power, were to proceed whole-heartedly on Maxtonian lines to an expropriation policy. Would the British *bourgeoisie* tolerate such a régime with patient submission? Might it not in the last resort have recourse to violence to protect its property even at the cost of suspending the Constitution? The question is well worth the asking, even if the issue raised seems to-day almost incredibly remote, for slow decay may imperceptibly bring about, like dry rot in the roof, surprising changes.

While the World Economic Conference discusses tariffs, war debts, currency, and disarmament, millions of middle-class folk in the three chief industrial nations—Germany, England, and the United States—are suffering from increasing destitution and uncertainty. Already they have created a huge political party of their own in Germany and seized power; their votes elected the National Government in Great Britain and Franklin Roosevelt in the United States. Their dissatisfaction is clearer than their programme, but they are in the saddle. We shall soon see whether they are going anywhere at all.

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THE leading editorial in the London *Times* on Neville Chamberlain's budget indicates that the financial policies of the National Government have become too prudent for even the most orthodox British Conservative. For a year and a half now England has been retrenching and economizing in the interests of sound finance, and only a few months ago the Chancellor of the Exchequer announced that no real improvement could be expected for ten years. Such gloom was too much even for *The Times*, which presently ran a series of four articles by John Maynard Keynes proposing a scheme of controlled world inflation by the issuance of five billion dollars' worth of paper to be distributed internationally and to be regarded as the equivalent of gold. It was therefore a natural step for the same paper, after having given prominence to such a heretical proposal, to wind up a lugubrious account of Mr. Chamberlain's balanced budget with this warning:—

> After another year of sound finance and crushing burdens, what fate awaits the patient oxen who have already toiled so long? The estimates show clearly enough that it is not only the beer tax that has become regressive; the yields of income tax and surtax are shrinking ominously. Last year 12,000 surtax payers fell below the surtax level. Year after year successive Chancellors inform an anxious House that the limits of taxation have been reached if not surpassed, and still the 'automatic increases,' that *damnosa hereditas* of past profligacies, continue to mount. It is plain enough that, unless drastic steps are taken to reduce expenditure, orthodox finance will soon become impossible. Meanwhile Mr. Chamberlain is in a sense making the worst of both worlds, for his budget contains neither the anodyne of inflation nor the virtue of retrenchment; indeed, it seems to combine inflationary expenditure with deflationary taxation in precarious equilibrium.

For *The Times* to state that 'orthodox finance will soon become impossible' is one of the few revolutionary events that have occurred in England since the General Strike.

THE Anglo-Danish trade agreement shows how far England has moved from her traditional policy of free trade. As Francis Delaisi's leading article points out, one of the foundation stones of British economic policy throughout the past century has been the sacrifice of agriculture to industry. In order to keep the cost of the industrial worker's food as low as possible England has allowed the agricultural produce of all countries free access to her markets. It was natural enough that Australia, Canada, and the Argentine should provide the British with grain and frozen meat, but it required organization of a high order for Danish bacon, eggs, and dairy products to compete so successfully against similar products that the English themselves could raise. In fact, so successful have the Danes been that the value of their exports to England has totaled about 50 million pounds a year, five times as much as the value of their English

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imports. The trade agreement just concluded attempts to make this balance more favorable to England, and the Danes did not even need to be told that, if they did not take more British coal and more British industrial goods, their country might be utterly ruined by a protective tariff. England, in return, agrees that 62 per cent of all the bacon and ham she imports will come from Denmark and that she will also take a fixed minimum of butter and eggs, although there are provisions whereby she does not need to take the minimum agreed upon. Under the able leadership of Walter Elliot, Minister for Agriculture, England is trying to strengthen her own farmers, and the agreement with Denmark is a step in this direction as well as a step in the direction of regulated international trade.

IN DEFEATING by a three to one majority a motion proposing that Socialist members of the Chamber of Deputies should be allowed to vote for the Daladier Government if such support were required to keep the 'reactionaries' out of power, the National Convention of the French Socialist Party has made André Tardieu's return to power more likely. When Daladier assumed office last January, few prophets gave him more than a week in office, but their forecasts have been destroyed by the unprecedented behavior of a group of Socialist deputies who, in defiance of their leader, Léon Blum, have swallowed their convictions on certain issues and prolonged the most liberal government France has enjoyed since 1926. Most of the British press expresses extravagant fear of what the return of Tardieu would mean at a time when Hitler is ruling Germany. The fear is not, of course, that France and Germany will declare war on each other—it takes two to make a fight and Germany possesses virtually no army—but that the two major powers of Europe might conclude a military alliance at a time when both are governed by reactionary parties which, in turn, are heavily subsidized by the heavy industries—including the munition makers. Last September we translated an article by Jean-Richard Bloch calling attention to the fact that Hitler had refused to deny in court the accusation that he had received funds from French industrialists. If Tardieu were to return to power, France would again be governed by Schneider-Creusot, and the prospect of a Franco-German offensive on Russia, which was also mentioned in M. Bloch's article, would become far more real than it is to-day, when Franco-Soviet relations are on the mend.

ONE of the most important and least discussed problems facing the World Economic Conference is that of Austria. If the states of Central and Southeastern Europe do not agree on that occasion to open their markets to Austrian goods, thus enabling Vienna to become again the

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financial and commercial centre of an area as large as the former Habsburg Empire, no force on earth will be able to prevent the Austro-German union. Italy and France can therefore be counted upon to do all that is in their power to persuade the nations in which they have influence to lower their tariffs and thus forestall a greater Germany. Nor are most of the nations concerned any more eager for the Austro-German *Anschluss* than France and Italy are. Czechoslovakia should be willing to make important concessions to prevent herself from being squeezed between two parts of a mighty Germany. Hungary, where Italian influence predominates, still dreams of reuniting with Austria under one king. Rumania fears the thrust of a greater Germany toward the Black Sea, and Yugoslavia fears a similar thrust toward the Adriatic and the Ægean.

At present the internal confusion in Austria reflects the confusion abroad. The *Heimwehr* troops, which used to be considered Fascist and which still oppose the Socialists, have always been pro-Italian, but they are losing ground to Hitler's disciples of Austro-German unity. But if Hitler himself were to take active steps toward joining hands with Austria he would at once antagonize Mussolini, whose support he needs in the cause of treaty revision. As for the Austrian Social Democrats, they used to favor union with Germany as long as it was a republic, but they have no desire to be ruled by Hitler. Chancellor Dollfuss visited Rome at Easter in the vain hope of being able to reconcile Mussolini with Von Papen and Göring, who were also in town at the time. As leader of the Christian Socialist Party, he has comparatively small popular support, his position being like that of Von Papen and Von Schleicher in Germany during the latter half of 1932. Like them, his days in office are numbered, for whatever happens Austria cannot be supported much longer by foreign loans. According to the London *Economist*, the decision lies with France:—

> French diplomacy will have to live up to the traditions of Talleyrand in order to convert the Little Entente from a defensive alliance into a foundation for the Danubian Federation. It will require something of a miracle to convince Prague, Bucharest, and Belgrade that a policy of concession is better than a policy of negation and that the way toward security lies in allaying distrust. But events in Paris appear to presage some such reorientation, with, perhaps, a new 'French' plan for Central Europe. From the present complexion of European affairs, it would seem that this is the only way in which the recrudescence of the two armed camps in Europe can be averted, and a more promising basis for disarmament, peace, and economic recovery secured.

THREE years ago the Communist rulers of Russia were devoting most of their attention to building industrial machinery under the first Five-Year Plan. A year later they were working out their second Five-Year

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Plan to place more industrial goods in the hands of the consumers. Last year and this they have shifted the focus of their attention to agriculture. Important as the achievements of both Five-Year Plans may be, the results of Russia's experiment with collective agriculture are likely to be more important still. For, whereas Russian industry is merely taking over the technological methods already developed by other countries and applying them to a socialist community, Russian agriculture is striking out on an entirely new path and is not only socializing agriculture but rationalizing it as industry has been rationalized elsewhere. Something even more than the fate of the Soviet system depends on the outcome of this experiment because, if it proves successful, other agricultural countries will have to abdicate their markets to Russia or else adopt Russian methods of production.

But the superiority of the vast mechanized farm, owned by the state and operated collectively, has not yet been established. Until recently most of the collective farms were not controlled by the state, but now half of them not only are collectivized as far as operation is concerned but are becoming socialized in respect to control. Some of the leading peasants in the former collective units have been deported, others have accepted the offer made by the state enabling them as technical experts to operate state-owned tractors and tractor stations. In return for the use of this machinery, the collective farm agrees to turn over one-fifth of its harvest to the state. The outcome of the experiment depends less on technical than on social and political factors. Many leaders in the collective-farm movement have been described by the Soviet press as 'class enemies,' and the central authorities have decided that the only way to win their support is to make them part of the state. A convention of leaders in the collective-farm movement was entertained in Moscow this spring and they have now returned to their new jobs to see what they can do.

HIGH on any list of victims of the world crisis must come the Second International. For in every country without exception the Socialist Parties, all of which have been affiliated with this organization, are routed and discredited. The case of the German Social Democrats is the most lamentable and conspicuous of any. Fourteen years after leading the revolution against the Empire, they abdicated without struggle to a government more hostile to the interests of the class they represent than the ex-Kaiser himself. But the Labor Party in England ran the German Social Democrats a good second, and its former leader now meekly submits to Sir John Simon's pro-Japanese foreign policy and to Neville Chamberlain's ruthless domestic economies. In France, as we point out in another note, Léon Blum is doing his best to get Tardieu back into

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power, and even in the United States, where Socialists have not yet been corrupted by the sweets of office, they demand palliatives designed to maintain the existing system instead of insisting on the abolition of a system that many who are not Socialists believe to be hopelessly unworkable. A dispatch to the *Neues Wiener Tagblatt* from Copenhagen indicates that Scandinavian Socialists suffer from the same incompetence that characterizes members of their party in other lands. Denmark, for instance, has been in Socialist hands during the depression and with such disastrous results that the Conservatives are beginning to gain ground. Norway, on the other hand, a much poorer country of about the same population, has come through the past two years under the leadership of a conservative peasants' party with only about one-tenth as much unemployment as Denmark. The *Neues Wiener Tagblatt* accounts for this unusual state of affairs as follows:—

> The Marxian movement is more international than any other political movement. The workers consider this a source of strength, but it is really a defect. The conservative point of view is politically suited to national relationships. The Marxian policy has hardened into dogma; the conservative view is more mobile and hence more progressive. The conservatives may make mistakes —nothing human in the world is perfect—but they are able to profit by them and to keep up with the times. The Social Democrats are still occupying the position they assumed decades ago. Thus in many respects Social Democracy has become the most reactionary party. Unlike the Social Democrats, the conservative party in one country does not need to make the same mistakes as the conservative parties in other countries. The Social Democratic movement is internationally immobile instead of being nationally mobile. Thus in Scandinavia one can watch the Marxists making precisely the same mistakes that their German comrades have made.
>
> This is especially obvious in the realm of economics. Wherever the Marxists have gained power, a degree of mismanagement occurs that can be attributed only to a complete lack of economic understanding. When peace was being concluded, the so-called victor states laid down their terms in accordance with the rule, 'Let Germany pay for everything.' The Marxists proceed according to the principle, 'Let the bourgeois pay for everything.' The 'victor powers' are now beginning to see what monumental folly they perpetrated fourteen years ago. But anyone is mistaken who thinks that the Scandinavian Marxists have learned anything from the failure of their German comrades. They will cheerfully continue to administer lavishly, although they have long since ceased to have ample means at their disposal.

ALL three volumes of Trotski's *History of the Russian Revolution* are hereby listed as recommended reading for anyone who wishes to understand the forces now at work in Spain. Obviously, the Russia of 1917 does not offer an exact parallel to the Spain of 1931—if it did Spain would have had a proletarian revolution a year ago last autumn. The point is that Trotski analyzes in revolutionary Russia the same major

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forces that are now at work in revolutionary Spain. The Azaña Government corresponds to Kerenski, Sanjurjo's attempted uprising of last summer corresponds to Kornilov's attempted *coup d'état* of August 1917. The Spanish middle class, being stronger than the Russian middle class, has maintained a Republic longer than Kerenski could. It has also attacked the problem of agrarian reform with greater spirit. But Spain today is no more stable than Russia was in 1917. The peasants have not yet been satisfied. The industrial workers continue to strike, riot, and demonstrate. The counter-revolutionary monarchists have gained adherents. Although the Spanish Republic, like the Russian, claims to be democratic and libertarian, it systematically ignores its own Constitution by invoking what is known as the Law for the Defense of the Republic. Just as Kerenski adopted certain policies that even the Tsar had abandoned, so the Spanish Republic is persecuting its opponents, both to the left and right, more vigorously than the Monarchy did. No outsider can possibly foretell how long the present Spanish régime will last, but it is almost certain that repressive measures will increase, and these methods indicate a fundamental instability.

BEFORE sailing to the United States, Mr. Matsuoka, Japan's delegate to the League of Nations, paid a visit to The Hague that at once caused a sensation in the Far East. He announced that Japan would welcome the coöperation of the Netherlands and the Dutch East Indies in developing the countries bordering the Pacific and that he had appeared to assure the Dutch of his country's peaceful intentions in urging the desirability of Japanese immigration to Dutch New Guinea. The sensation was produced by the simultaneous announcement in the press that the Japanese were planning a new system of disguised air bases in the territory to which they were demanding access and that the Government of the Dutch East Indies had mobilized the militia of Borneo as a precautionary measure to protect the island's seaports. Although the Japanese Embassy in London had issued an advance denial of the statement about the air bases, the newspapers of Holland expressed alarm and called attention to the fact that Borneo is expected to become the principal oil-producing country in the Orient and is therefore vitally important to Japan. Hollington K. Tong, writing in the Nationalist *China Press* of Shanghai, made the most of the story and insisted that Japan, encouraged by the easy conquest of Manchuria, was now looking southward toward a larger, richer, more comfortable, and more defenseless country. At present the East Indies are defended by a colonial navy of 64,000 tons and a colonial army of 1,300 officers and 40,000 men. Holland has a domestic population of only 7,000,000, but the population of the possessions in the East Indies amounts to 53,000,000. The territory they oc-

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cupy is twice as large as Manchuria, it contains many raw materials that Japan needs and is strategically located in relation to future hostilities against Australia or the Philippines. Mr. Tong states that the Dutch residents of Shanghai are already expressing concern, which is no doubt shared by the British as well as by the Americans.

This rumor of future hostilities between Holland and Japan is not the first war scare that the annexation of Manchuria has brought forth nor is it likely to be the last. Many veterans of the Far East, however, regard such reports with skepticism, and one of them, who has spent many years in China, has written an article for the *Week-end Review* concluding with this long-range prophecy:—

> Jehol may be lost, Peking too; there are still eighteen or more provinces as large and as populous as the major states of Europe. Japan will win more battles, occupy more territory, lengthen her communications, seeking for that frontier which has never existed, the dividing line between north and south China. In the end, the Chinese hold, she will weary of the task; and meanwhile China, always defeated but never beaten, will have achieved by outside pressure that unity which the great invasions of the past have always brought forth. So the war will go on, if not this year, then next, decade after decade, till Japan either occupies the entire country or withdraws from a ruined, militant, and probably Red China; for Japan, despite her strength, has undertaken a task beyond her power.

IN SPITE of the aid and comfort that Japan has received in Manchuria from Sir John Simon's benevolent neutrality, the opinion has been expressed from time to time that the real policy of England was to let the United States receive Japan's ill will in that particular affair because there would be enough Anglo-Japanese disputes elsewhere. The abrogation of the Indo-Japanese trade agreement that has been in force since 1904 confirms this point of view, and the press of Japan has suddenly become filled with abuse of England. Here is the way the *Tokyo Nichi Nichi* describes what has happened:—

> Under date of April 12, the British Government has notified Japan of its intention to abrogate the Indo-Japanese trade convention, which has been in force since 1904. As provided in the agreement, the termination of the convention will take effect in October, six months after the date of notification. Of course Britain was within its rights in denouncing the treaty. The convention gave most-favored-nation treatment to Japanese commodities entering the Indian market. With termination of the treaty, both countries will be in a position to put whatever duties they think proper on imports from each other, unless some arrangement is entered into in the interval to minimize the effects of the termination.
>
> Trade relations between India and Japan have been satisfactory. Up to last year, Japan was a good market for Indian products. Japan used to take more from India than it sent there. The excess of imports over exports ranged between 200,000,000 and 400,000,000 yen. It is true that Japan sent more to

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India than it took last year. But this could be no warrant for the action of the British Government in terminating the convention.

The chief motive of Britain in deciding to denounce the convention is the desire to oppress Japanese industries, which are increasingly in competition with the British in the Indian market. Presumably Britain would see India out of all trade relations with Japan, but it was impudent for Britain to announce its intention of terminating the convention without previously consulting Japan's views on the proposed step.

Nagoya Shinaichi discusses the affair in its wider implications:—

Japan should pay more attention to relations with Great Britain. The people are seriously concerned about the rumored possibility of a war with the United States or the Soviet Union, but they do not want a diplomatic crisis with Britain. Among the nationalists and those who advocate Asia for the Asiatics are some who declare that Japan's real rival is neither the United States nor the Soviet Union but Great Britain. Anglo-Japanese competition in no sense implies war, but it is national competition none the less. The British star has been waning since the opening of the twentieth century. That German propagandists have been spreading this assertion does not make it inaccurate. The fall of Britain means the fall of Europe, and the rise of Japan bespeaks prosperity for Asia. Herein lies the real competition between Japan and Britain.

The birth of Manchukuo has a great bearing on various quarters. Its bearing on Britain is more serious than on the United States or the Soviet Union, and Britain will feel something even more serious in the near future. Most of the people, failing to realize this, have been giving too much attention to the other two nations. Since the Opium War, Britain has predominated in China. Now, with the Oriental situation bringing India and Siam closer to Japan, we see Australia carrying on a boycott against Japan and the British Indian Government abrogating the Indo-Japanese trade convention. Japan's relations with Britain are thus becoming more important. We should consider them very closely at this time.

WITH a domestic price level lower than that of 1930 and with the yen at only 40 per cent of its 1930 value in terms of foreign currencies, Japan was able to increase its production of goods and its foreign trade during 1932. Exports to China rose 23 per cent above the 1931 level and were only 1 per cent down from 1930; exports of cotton tissues climbed 30 per cent in a two-year period and exports of artificial silk, an industry now in the second year of its existence, are going ahead rapidly. But the national budget has accumulated such a deficit that currency inflation has now begun in the form of an issue of four-and-a-half-per-cent treasury bonds with a face value of 315,000,000 yen. These were used to repay treasury bills amounting to 200,000,000 yen and the balance will be applied to repaying other bills that will fall due at the end of the year. *Yomiuri Shimbun*, independent Tokyo daily, confirms the opinion of the British-owned *Japan Chronicle* of Kobe in prophesying that currency inflation and rapidly rising prices have now become unavoidable.

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Read this article by a leading French economist and you will understand one of the chief problems of the World Economic Conference as well as how and why America went off the gold standard.

The Fight for GOLD

By FRANCIS DELAISI

Translated from the *Revue des Vivants*
Paris Literary and Political Monthly

LAST November, when Ramsay MacDonald urgently demanded the summoning of an international monetary conference in December, the official world, especially the League of Nations, was seized with general surprise and a sense of uneasiness. Having virtually settled the question of reparations, the Lausanne Conference had postponed kindred problems to a later gathering. But all that had really happened was the usual dilatory process of postponing questions that nobody knew how to solve.

The monetary question is one of them. In December 1928 the Council of the League of Nations established a gold delegation made up of the most eminent specialists. After long deliberation, this delegation issued two provisory reports, admirably documented, which examined the problem from every angle but in which the experts admitted that they could not agree on various important points. Under these conditions it was the general belief in Geneva that an international monetary conference would have small chance of success, and that it would be better not to let still another failure further undermine the weakened authority of the League.

Mr. Ramsay MacDonald was aware of this danger. He knew the scruples of experts and the hesitations of the various governments. If, therefore, he urged an immediate conference, it must have been for the most serious reasons and under the pressure of immediate peril.

That peril still exists. Within a year forty-two countries have abandoned the gold standard or else are maintaining it artificially. The mechanism for making international payments has completely broken down. Foreign ex-

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changes are virtually paralyzed and the time is approaching when the impossibility of debtor countries' paying what they owe will bring down their creditors in universal ruin. The London bankers have naturally been the first to perceive the danger, but the people of Europe and even their governments are too ignorant of its importance to respond in a helpful way. It therefore becomes necessary to explain the situation.

II

In principle, all payments from one country to another must be made in gold. Since bank notes circulate only in their country of origin, it is necessary to export either specie, whose exchange value depends on the amount of gold it contains, or else gold bullion.

The total value of goods sent from one country to another rose to the figure of 32 billion dollars in 1929. Add about four billion dollars in foreign loans and then freight charges, tourist expenditures, and money sent by emigrants to their families, and the total payments come to about forty billion dollars a year. But the total of monetary gold in the world is hardly more than eleven billions. Hence it follows that if all the payments had actually been made in gold all the bullion and specie would have been constantly moving about in steamships, trains, and airplanes. Therefore, a kind of auxiliary money was resorted to known as *Devisen* [foreign bills of exchange, checks payable abroad or in foreign currency, day to day claims in foreign currencies—EDITOR]. Lord Goschen, in his classic treatise on exchange, enumerates fourteen varieties of *Devisen*, but if we consider how they originate they can be reduced to two groups—commercial paper that comes into existence because of the movement of goods, and financial paper that comes into existence through the movement of capital. This financial paper takes the form of government loans, shares in corporations, bonds, and so on.

A Parisian business man, having sold jewels in New York, receives in payment a check or bank draft for a thousand dollars. A textile manufacturer in Rouen, who has bought cotton in New Orleans, buys this piece of paper for about twenty-five thousand francs and sends it to the man from whom he bought the cotton in Louisiana, who has it deposited in New York by his banker. Thus the French purchaser has received paper francs and the American seller paper dollars and everything is arranged without the movement of gold.

Usually these operations are carried out through the medium of banks, which discount drafts and exchange them among themselves without troubling the buyers and sellers. If, at a given moment, a bank has not got enough commercial bills of exchange to settle the payments that it is charged with making in New York, it can deliver instead the bonds of an American corporation that are falling due or even stocks issued in dollars. Certain securities, the Royal Dutch, for instance, are accepted in all the chief markets of the world. And they always have about the same value everywhere, by agreement. Since a banker can give orders to buy or sell these securities by telegram or cable they constitute a real means of making international payments.

Of course, a banker can settle any

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commercial transaction by remitting securities or he can effect interest payments on bonds by means of commercial bills of exchange. All these forms of paper have been concentrated by the banks into a single market where prices vary in accordance with the law of supply and demand. If too much demand causes any form of payment to rise to a higher figure than it would cost to send the equivalent amount of gold, including freight, insurance, and loss of interest during the voyage, then and only then will the banker and the business man prefer to pay in metal. In that case, he remits the paper to the central bank, which must reimburse him in gold, which is dispatched in specie or bullion. Every central bank must always have a complete supply of these various forms of payment and it publishes every week how much gold it has and how much foreign paper, both bills of exchange and securities.

Since anyone can be paid in gold who asks for it, the value of the national currency can fluctuate only within the limit of what it costs to send the metal. This limit is known as the gold export point, and this form of control is called the régime of the gold standard. This monetary mechanism, adopted by sixty countries, permitted the prodigious development of international trade during the nineteenth century and made many hitherto unexploited regions of the earth valuable. It is this mechanism that has almost completely broken down to-day.

III

The world crisis and the general fall of prices have reduced the value of all exports from 32 billions to 12 billions. This means that the volume of commercial paper has suddenly been cut two-thirds. It is true in principle that, since each export from one country balances an import to some other country, the amount demanded must decline in the same proportion as the amount offered. But this is not rigorously exact. The truth is that it is impossible to maintain all the exchanges in balance from day to day, and a country perceives that it has bought more than it has sold only when it lacks commercial paper for a protracted period. And, in spite of the drastic measures taken to bring imports down to exports, most countries still have an unfavorable trade balance.

It has therefore been necessary to resort more and more to financial paper. But in all the stock markets all the securities that have an international market have declined considerably since the beginning of the crisis. To-day, for instance, one has to sell two shares of Royal Dutch to pay a debt that one of these shares would have settled three years ago. Moreover, as a result of the crisis of confidence and the general insecurity, the issue of foreign securities on the big financial markets has declined increasingly. In England, the United States, and Holland securities of this kind fell from 1,307 million dollars in 1930 to 290 millions in 1931 and are rapidly heading toward zero.

But interest payments on public and private loans have remained constant. Thus the supply of financial paper has been considerably reduced at a time when the demand for it has been increasing, at least in debtor countries, due to the combined pressure of the lowered value of fixed-

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interest-bearing securities and the unfavorable trade balance.

The demand for gold has therefore increased. Especially in the poor countries, the importers, the foreign corporations, and even the governments have drawn on the gold reserves in the national bank, and this drain has no longer been compensated for by foreign loans. The gold reserve has therefore rapidly declined to the limit fixed by law to cover the paper currency. At the same time, citizens of these countries have begun to doubt the stability of their national currency and in order to protect themselves from possible depreciation have bought foreign securities issued in dollars, florins, Swiss francs, and so on. Since these movements are usually sudden and panicky, there is never enough commercial or financial paper on the national market and the central bank or national treasury is therefore subjected to further demands for gold.

Thus in poor countries the flight of capital has conspired with the weight of foreign debts and the unfavorable trade balance to drain the gold reserves of the banks of issue. Of course, the gold that leaves some countries in this way enters others. Certain 'refugee countries' like the United States, France, Switzerland, and Holland received capital from everywhere at a time when they were no longer lending any. Their gold reserves therefore increased even though their commercial balance was unfavorable. At the beginning of the crisis, their central banks, in order not to drain the reserves of their neighbors too rapidly, accepted payment in commercial and financial paper that they lent back to their colleagues in the form of foreign credits. Thus, up to the summer of 1931 many central banks in Europe and South America possessed in reserve quantities of securities and bills of exchange payable in pounds sterling that they included in their gold reserves as cover for their currency on the pretext that this paper could be redeemed in gold at London at any moment.

But the sudden fall of the pound on September 20, 1931, caused the paper reserves of these nations, which were on what was known as the gold-exchange standard, to depreciate suddenly, sometimes as much as thirty per cent. Hence it was impossible for these countries to continue to convert their paper money into gold.

Rich banks, anticipating this surprise blow, had been demanding payment in gold for most of the foreign paper that they held. Within two years, from the end of 1929 to the end of 1931, four national banks, those of France, Holland, Switzerland, and Belgium, increased their gold reserves 78 per cent. A strange situation. Because of the universal contraction of commercial and financial paper all the debtor countries found themselves obliged to pay out more and more money in gold, but this very gold was accumulating more and more in the hands of their creditors, thus preventing the debtors from meeting their obligations.

IV

At this point these unfortunate countries had only two choices. They could either abandon the gold standard and surrender their money to all the fluctuations of the exchange market or they could artificially maintain the gold backing for their money in

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order to avoid currency troubles at home. In the second case, however, they would have to assume control of the foreign-exchange market so that they could regulate their payments abroad on the basis of how much they sold abroad from day to day. Up to now, twenty-three countries, including England, have adopted the first solution. It has led to a stimulation of exports and a 'loss of substance' that have impoverished the country in the long run. Twenty-one other countries preferred the second solution. They have had to reduce their imports to include only prime necessities and have run the risk of paralyzing domestic activity. After doing this they have not had enough left to pay interest on their foreign debts or pay back short-term borrowings from abroad. Hence the incessant extension of moratoriums and the continuation of frozen credits.

Forty-five countries that do about sixty per cent of the world's business now find themselves in an abnormal situation because they lack adequate means of payment. Nor are they the only victims. For the markets of the countries that have remained on the gold standard have been invaded by exports from the countries that abandoned gold. The gold countries also find that their own exports have been cut down by the countries that have instituted a control of foreign exchange. Thus the foreign commerce of countries on the gold standard is handicapped while their savings and their budgets are suffering serious losses because of moratoriums and frozen credits.

Many countries that have been ruined by the decline of prices cannot pay interest on their foreign debts, either public or private. Others turn their coupons into domestic currency, but they cannot 'transfer' this currency to their creditors for lack of foreign bills of exchange. The Argentine, for instance, has deposited 400 million pesos in the Buenos Aires banks for its foreign creditors, who cannot transform this money into dollars, francs, florins, and so on. A certain Argentine corporation financed by foreign capital has deposited enormous dividends in pesos that its European stockholders cannot touch. In this curious situation, even enterprises that show a profit have virtually ceased paying dividends. We are rapidly moving toward a universal moratorium on all foreign debts, public and private, which will involve the ruin of creditors. If this state of affairs continues a few months longer everybody will be insolvent. Now is it clear why the London bankers were so eager to summon an international monetary conference?

V

I write three months after Ramsay MacDonald issued his SOS. The conference that he wanted to summon in December was adjourned to March and has not yet been called. Why so much delay in the face of imminent danger? The excuse given has been the need to prepare the delegations because one more failure after so many others would almost annihilate the prestige of the League of Nations.

Anyone who reads the *Projet d'ordre du jour annoté*, issued last January by the experts, will find nothing that did not appear in previous reports, but the technical press has revealed other motives. 'Stabilize the pound sterling

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first,' say the American and French newspapers. 'When part of the problem is solved in that way we shall see more clearly on what firm base the decisions of the conference can be laid.' 'No,' reply the English. 'The universal reëstablishment of the gold standard presupposes a group of preliminary conditions both economic and financial. Let us call the conference first and stabilize the pound afterward.'

While this kind of dispute goes on time passes. But England can afford to wait, for the decline of the pound has given it an advantage in the export trade that has almost balanced its commercial payments, to the detriment of countries on the gold standard. The real truth is that behind this discussion about tactics there is a more profound divergence of doctrines and interests.

We have seen that as a general rule the payments between one country and another are regulated by an exchange of commercial paper between the importers and exporters of each of the two countries. Actually, however, the movement of goods, like the movement of capital, is subject to excessive fluctuations, so much so that the demand for bills of exchange in two countries at a given moment never exactly tallies with the supply.

France, for instance, may to-day have more bills of exchange on England than it can make use of, and at the same time not have enough dollars to settle its accounts with America. Hence some central market for bills of exchange is necessary where each country can sell its excess bills of exchange and buy bills of exchange on other countries that it lacks. The country that is to become the international compensation chamber must fulfill three conditions. First, its foreign trade must be the most extended and varied. It must be of such a kind that it can always offer its foreign clients the most abundant and varied stock of bills of exchange. Secondly, it must be the greatest market for capital, so that securities of every country can be purchased there in case bills of exchange are lacking. In the third place, it must be the greatest market for gold, so that in case it lacks both commercial bills of exchange and securities issued by foreign countries it can at least enable people to procure gold easily.

VI

For almost a century London has fulfilled these three conditions. Having sacrificed its agriculture to its industry long ago, England has achieved the largest volume of foreign trade in the world. Its merchant marine, also the largest in the world, carried commercial paper from every port in the world to its banks, along with the merchandise of every country. England's rapid enrichment, due to its magnificent industrial development, made it the greatest market for capital, and it accumulated securities issued by every government, every bank, every railroad and corporation in the world. Finally, luck decreed that two-thirds of the gold produced in the world should come from its colonies and Dominions—South Africa, Australia, Canada, and India. Attracted by the opportunities for transport and insurance that British shipping and insurance companies offered, the gold mines became accustomed to sending their gold to London every week to be offered on

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the market there. The Bank of England arranged to buy all that was offered so that the mines did not have to worry about looking for a market. And since the Bank of England bought any amount of gold at 84 shillings an ounce and sold it at the same price it automatically stabilized the value of gold and that of the pound sterling.

The result was that any government, private individual, or banker who had to settle an account abroad and could not find the means of payment that he needed on his domestic market became accustomed to going to London, where he was always sure of finding abundant supplies of commercial paper, foreign securities, or gold, at the best price. Thus the City of London became the chamber of compensation, the clearing house of the universe, and remained so for more than a century. In this capacity it rendered an immense service to Europe and the world, and naturally this service became an immense source of profit. Because of the assured stability of the pound, the Danish business man purchasing coffee from Brazil made out his contract as payable in pounds sterling, even though the merchandise never touched London. English banks that discounted commercial paper knew the prices received by German or French industrialists in Brazil or Greece; they knew the quantities sold and the names of their clients; and British industry profited.

All these foreign business men left some of their receipts on deposit in the English banks with a view to future payments. These deposits were then lent profitably by the great credit establishments of Great Britain to other clients on very short term. Money was always abundant in London. The rediscount rate was always lower in London than anywhere else and therefore all banks were attracted there. For the Bank of England had only to increase its interest rate one point for all the banks of the world to be obliged to do the same thing without delay.

By running through his portfolio the Governor of the Bank of England could understand the economic situation of any country as well as and often better than the government of that country could. And since he received news from all over the world by submarine cable he could often bring pressure to bear on the policy of foreign governments by a simple shift of short-term credits. As clearing house for the world for a whole century, London became the economic capital of a world that was much more internationalized than that world imagined. There is no question that the financial district of London was the most solid pillar of prosperity and power that the British Empire possessed. But the World War, which only looked like a victory, really cost London its monetary hegemony.

VII

During the whole first year of that huge conflict, the treasuries of France and England had to finance not only their own armies but the armies of their poorer allies. After the close of 1915, France had to pledge to New York all the gold that it had retired from circulation and all its best French and foreign securities to pay its bills in America. The British Treasury therefore had to carry the whole burden alone, but it became exhausted too

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and in March 1917 it could not meet a payment of 50 millions.

In April the United States happily entered the War, and from then on the American Treasury became the sole and unique banker for the War. Pumping from its own citizens, in Liberty and Victory loans, the capital the allies had handed over to them, it used this capital to pay for the supplies that it still provided to the belligerents, who had now become its associates.

The following strange reversal of positions occurred. At the beginning of the War in 1914, the American Treasury owed Europe five billion dollars and at the end it was Europe's creditor to the extent of ten billions.

In 1919, the victorious allies sat down in Geneva to divide the booty. They dismembered Austria-Hungary politically and Germany economically. Uncle Sam generously demanded nothing from the vanquished. He did not need territories, but he did not intend to neglect his opportunities —'business as usual.' By this time his foreign trade equaled that of England in volume and extent. He possessed an enormous amount of all the best stocks and bonds guaranteed by England and France. He also held short-term credits on every government, town, and public-utility service in the world.

Finally, he had accumulated two-thirds of the gold in the world. Why, then, should he not grasp that monetary control that had served the British Empire so well for a century? The French and British currencies were only maintained at par by his consent. Suddenly, in March 1920, Washington denounced the exchange agreement concluded in 1917.

The Bank of England, unable to deliver gold, let sterling fluctuate, and the franc began its slow descent. The dollar remained the only stable money. So Wall Street was to become the only clearing house. The pound was abdicating to the dollar. Nor would this be the least profitable fruit of victory.

But it was a deception. It made no difference that the pound declined. London remained the principal market for foreign bills of exchange, and the South African mines continued to sell their gold there. It was not that the dealers in foreign exchange preferred not to buy dollars; unfortunately, they could not find any.

VIII

We have seen that the whole art of the foreign-exchange manipulator is to ship bills of exchange instead of gold. A bond that has reached maturity or a check does not differ sensibly from a bank note. The latter, after all, is merely a check payable to the bearer by the bank of emission. One accepts it at face value simply because one knows that the bank is not without assets. But if a Parisian importer is paid with a note signed by a Boston merchant whom he does not know, what guarantee does he have that the note will be honored? But suppose that the Morgan banking house has discounted the note and written across it the simple word, 'Accepted.' The note of the obscure Boston trader will be accepted by all banks in every country at its value in dollars. Thanks to the mechanism of acceptances, big banks can create a veritable international money.

It is true that in playing this game the bank substitutes its responsibility

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for the responsibility of the signer of the note and the bank must pay in the event of the signer's defaulting. Hence the bank does not sign carelessly. It classifies the holdings in its portfolios in accordance with the solvency of its clients and receives a small amount of interest for the risk that it assumes.

But how can one classify the signature of a Brazilian coffee exporter or a purchaser of machinery in Shanghai if one has not got a branch office on the spot that has been established in the country a long time and that is capable of guarding itself against the numerous devices of dishonest or merely venturesome clients? Unfortunately, the American banks did not have branches abroad—before the World War they imported capital. Only Great Britain, during a century of expansion, had been able to establish an immense network of corresponding or affiliated banks in every port and every great market of the universe. The portfolios of these banks contained histories that were kept up to date describing the activities of every establishment of any importance in world commerce. This was a work requiring long patience and demanding a staff well posted on legislation, methods, and usages, which vary enormously from country to country. Such things cannot be improvised even with dollars, and the Americans perceived with stupefaction, that, in spite of the depreciation of the pound, their foreign clients and even their own citizens resorted to English banks and acceptances and went to England to receive payment.

Wall Street then understood that the key to the kingdom of exchange was the acceptance. In 1918, on the initiative of Mr. Paul Warburg and several big financiers in New York, the Acceptance Council had been founded to educate American bankers. But it was necessary to establish a foreign counterpart of this. Thus in every important spot on the two hemispheres magnificent branches of the Guaranty Trust, the Bankers Trust, and the National City Bank sprouted out of the ground.

IX

It is easy to build a magnificent building in six months, but an experienced personnel with records and information services is slow in forming. Since the Americans wanted to dethrone London as soon as possible they sought the aid of various French, Swiss, and Dutch banks, with whom the International Acceptance Company was founded. But France, although it is the second largest exporter of capital in the world, had unfortunately never organized a traffic in foreign bills of exchange. On the very eve of the War our biggest bank of deposit operated on the London market through the Deutsche Bank. We therefore had no ready-made organization, and the City of London was able to regard with an ironic smile the ambition and inexperience of the Americans.

But in 1924 the German mark was stabilized and the Dawes Plan protected it from any further fluctuation. German capital, which had taken refuge in Swiss and Dutch banks, was put at the disposition of the German banks on short term. London, with its unstable currency, found itself confronted by a redoubtable coalition. Under the direction of German, Swiss, and Dutch financial leaders of

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the first quality, the enormous volume of American bills of exchange could be exchanged in dollars, Swiss francs, florins, and gold marks against the no less enormous volume of bills of exchange held on the continent of Europe.

If that coalition were to succeed London would have nothing left but foreign bills of exchange issued in depreciated currency. This time the City had no cause to smile. It decided to stabilize the pound, and, since the Americans could at any moment make it go down by demanding payment of the enormous floating debt contracted during the War, Mr. Baldwin hastened to New York to fund that debt. Without consulting his fellow debtors, he accepted the most stringent conditions, for his supreme task was to save British supremacy on the exchange markets. In 1925, the pound sterling was reëstablished at its former gold parity. The only handicap to the English clearing house had disappeared.

X

Then a savage struggle occurred throughout the world. Wall Street, profiting from the uncontested stability of the dollar, resorted chiefly to long-term loans that it could offer at a low figure because of the enormous amount of capital at its disposition. Canada and Latin America decided to pay back some of the money they had borrowed from London and to replace these loans by borrowing from New York. Even South Africa and Australia began to borrow from the American market.

Defeated in long-term borrowing, London defended itself better in the field of short-term credits. Here the responsibility of the banker is greater and his personal prestige makes more difference. London resumed its pre-war relations with the central banks of Europe, and almost all of them consented to replace some of their gold reserves with first-class bills of exchange that bore interest. Since these bills of exchange might have to be paid in gold at any moment sterling bills were preferred because of the special facilities of the London market.

Insensibly the gold-exchange standard based on sterling replaced the gold-bullion standard based on ingots. Very close relations were established between the London banks and those of Vienna, notably the Credit-Anstalt, from which credits in sterling were extended to the Danube and Balkan countries. Of course New York did not intend to allow itself to be beaten in this field. Financial houses of secondary importance specialized in financing Europe and extended their operations rapidly.

At bottom the game is easy enough. After being guaranteed some monopoly or concession such as matches or railways, holding companies purchase or issue stock on which big banks give them advances. Credit in dollars is borrowed at two per cent in New York and then lent again at six per cent in Berlin and at eight per cent in Vienna. New stars began to appear in the banking firmament. Loewenstein of Brussels raised money in London. Insull of Chicago pumped money from the Middle West. Ivar Kreuger, the good Swedish Samaritan, drew funds from every direction, from England, Canada, and even France. His specialty was helping nations in distress on the fragile basis of a match trust. Under the cover of these

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brilliant manœuvres, capital that had migrated hurried back to its country of origin, where money was scarce and rates were high. London and New York rivaled each other to see which could furnish the most capital in order to insure the supremacy of its own commercial and financial paper. There is no doubt that this struggle for monetary hegemony contributed enormously to the revival of Europe between 1924 and 1928.

But an unexpected competitor appeared in the field. Between 1924 and 1927 millions of Frenchmen who wanted to protect their savings from the depreciation of their national currency bought foreign securities and foreign bills of exchange for a sum estimated at about a billion and a half dollars. When Poincaré stabilized the franc at twenty-five gold centimes in 1927, the happy French possessors of foreign securities hastened to repatriate their capital. They rushed to their banks to exchange their holdings for francs. The Bank of France gave them new bills that a special law authorized to be printed for this purpose and it kept the securities. The state, as the legitimate proprietor of this unexpected treasure, divided it into three parts. It handed over one part to its Treasury for the payment of certain foreign debts. It gave the rest to the Bank of France, which in turn gave part of its holdings to some big private banks that had specialized in foreign-exchange dealings.

XI

Thus France suddenly became the greatest holder of foreign securities and foreign bills of exchange. Could n't she in her turn aspire to the rôle of universal clearing house? Unfortunately, as was quickly recognized, one has to do more than own goods; one has to find a buyer. The share of France in world trade was relatively small, about six or seven per cent. And the market for French currency was dull, due to the shock of inflation. Paris was full of supply. What it lacked was demand.

In 1929, during the gigantic American boom, the opportunity arose to place a few billion francs on call with Wall Street brokers. But, after a safe emergence from the October crash, it was necessary to place this money in London. Credit was therefore extended in pounds to English banks at two per cent. The latter extended credit at five or six per cent to German banks, which extended credit to Vienna at eight or nine per cent, which in turn made further loans to Bucharest and Budapest at twelve per cent. Some of the credit was also used in Germany to discount Russian paper. But the Bank of France very prudently left the risk of these operations to its good English friends. At the end of 1930, according to the report of the Governor of the Bank of France, the French nation had seventeen billion francs in pounds sterling in British banks. London remained the great market for bills of exchange. Paris was content to supply the wherewithal and thus give London the means to fight against Wall Street.

But at this point the crisis grew acute. In the autumn of 1930, many lenders on the Danube could not pay back the pounds and dollars they had borrowed in Vienna because the price of wheat had declined one-half. The Credit-Anstalt was about to collapse and France was summoned to its aid.

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But France wanted to receive some political concessions in return for financial support. Tardieu tried to impose his Danubian plan in place of the *Anschluss*. He failed and the Credit-Anstalt succumbed. The result was that the German banks were imperiled. The gold reserve poured out of the Reichsbank. If the payment of reparations had been demanded on the fifteenth of June, the mark would have collapsed. London and New York, whose capital was in danger, could not consent to that, and President Hoover proclaimed the moratorium on debts and reparations.

Paris protested, discussed, and finally yielded. But too late. The Reich had to obtain a general moratorium on its private debts in order to save its currency. A hundred million pounds and perhaps twice as many dollars in short-term credits were frozen in Germany. English capitalists in their turn grew afraid and wanted to draw out their money. This time the Bank of France, which still had more than seven billion francs in sterling bills of exchange, came to the rescue. Along with the Federal Reserve Bank, it lent fifty and then eighty million pounds to its former rival. Again too late. The panic spread to London. On the twenty-first of September, 1931, the pound succumbed, and the Bank of France lost two and a half billion francs in spite of its prudence.

Within six weeks, twelve countries abandoned the gold standard, dragged down by the failure of England. Others, to avoid the same fate, established control over the market for bills of exchange. The whole world needed foreign exchange at just the moment when the two great sources of foreign exchange had their credits frozen in Germany and were demanding help themselves. The situation had again reversed itself. Yesterday the Bank of France, not knowing where to lend its bills of exchange, had to look for borrowers in London or New York. But now the lender was not running after the borrower. The borrower pursued the lender. Paris, with its 68 billion gold francs and its twenty-one and a half billion francs in foreign exchange, found itself master of the situation.

XII

In this universal catastrophe that was shaking the very foundations of world economy did the three rival banks forget their ambitions and work in common for consolidation? There was not a thought of it. France, the master of the situation, simply tried to profit from the disaster. On the sixth of October, Lord Reading hastened to Paris. He proposed a redistribution of gold and bills of exchange between the various central banks in order to permit the private banks to return to a common standard. He wanted to profit from the opportunity to lower the value of gold currency and thus considerably lighten the load on debtors. But it was too evident that such action would regain for London the position as international clearing house it had just lost. M. Laval did not reply.

However, President Hoover invited him to a conference in Washington. The Americans asked the French Government not to listen to English suggestions, whatever they did. The Americans insisted that the gold standard should be retained at its present value in order that the control of the market might be reserved for

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the two great countries that possessed two-thirds of the gold in the world. But Wall Street wanted the French Government to give German private debts priority over reparations in order that American bankers might withdraw their deposits in Germany. It was finally agreed that the Bank of France should not convert its dollars into gold since that might dangerously weaken the holdings of the Federal Reserve Banks.

Placed between the two rivals, M. Laval was at this moment really the arbiter of the world. The development of the world crisis, by suddenly paralyzing the other two powers, had placed the French Government, with its reserves intact, at the strategic point that dominated the field. It could, if it chose, give back monetary supremacy to England or hand it over to America. It could also, since Paris could not technically become the clearing house of the world, force the two others to accept the institution of an international market of exchange by making the Bank for International Settlements the controller and independent regulator of the exchange market. Unfortunately, the only point on which the three central banks agreed was precisely not to create above themselves a superbank that would limit their superiority.

M. Laval therefore did nothing. As he had said 'No' to Lord Reading, he also said 'No' to President Hoover. He returned, having given nothing and obtained nothing. He had let the opportunity of France slip by. His experts thought that if things were let alone the pound sterling would sink further and further, becoming merely a national currency, and that the United States would encounter a banking crisis, the symptoms of which were evident even then. Thus France, with its reserves, would see its position growing stronger as its two rivals were growing weaker.

One thing only was agreed upon at Washington. The French and American governments agreed to maintain the gold standard at its present value. This meant that England had been abandoned by France, had lost all hope of a redistribution of gold, and found herself alone with her unstable pound. It was then that Montagu Norman began achieving entirely by himself the most astonishing revival in the financial history of our time, which was already so replete with miracles.

XIII

To-day his plan seems very clear, and, moreover, it is apparent that it was rigorously imposed by the very logic of the technical position. If the City wanted to resume its position as universal clearing house, it had to recapture three essential positions. It had to become a great market for bills of exchange. It had to keep the gold market, and of course it had to reconstitute its own gold reserves. It began with the first point and allowed the pound to fall, which was not very difficult. When it was announced that the Bank of England had abandoned the gold standard, all the central banks, whose reserves included bills of exchange on London, hastened to sell them in order to procure gold, and in a few weeks the pound sterling had declined thirty per cent. This meant that an ounce of gold sold for 122 shillings instead of 84 shillings. But the governments, corporations, and individuals who had contracted loans in England

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before the fall of the currency perceived that with an ounce of gold they could pay off 122 shillings of debt instead of 84 shillings, as was the case before. In India, where enormous quantities of gold had been hoarded for centuries, it emerged from hiding and set forth for London. In Egypt the tax collectors purchased gold from the fellahin with Egyptian pounds, making so much profit that the government made a monopoly of this operation.

The first surprise was that the more the pound depreciated the more gold flowed into London. But the Government, although no longer constrained to provide coverage in gold, took care not to issue more money and cautiously avoided any credit inflation. Domestic prices therefore remained stable. Presently foreign purchasers of English goods perceived that, although the pound had declined thirty per cent on the foreign-exchange market, it retained the same buying power on the domestic market. Well-informed people, not believing that this condition would last, then began to buy pounds, and, beginning in January, the English currency started to climb.

XIV

At this point a new apparatus appeared, the Equalization Fund. This organism, which is independent of both the Bank of England and the Exchequer, was granted an enormous credit by Parliament—150 million pounds in treasury bonds, which was soon raised to 175 millions. The ostensible purpose of this fund was to prevent fluctuations of the pound on the exchange market, but so much capital was not necessary for that. In reality, the purpose of the fund was to reconstitute rapidly and at all costs the gold supplies and bills of exchange that the Bank of England had lost and at the same time to prevent the gold mines from abandoning the London market and selling their gold in New York.

Of course, there was no thought of buying gold directly with British treasury bonds. That would merely have precipitated the fall of the pound. The thing to do was to buy foreign bills of exchange issued in dollars, florins, or Swiss, French, or Belgian francs that could then be cashed in gold. But how could foreigners be persuaded to give up their good bills of exchange issued in gold for an unstable bill of exchange?

By a stroke of good fortune, the banking crisis gripped the United States in the beginning of 1932. Many banks had had their credits frozen in Germany and failures multiplied. Alert Americans wanted to transfer their money abroad. They sold dollars. They would have purchased francs or florins, but these currencies were stabilized and could not yield any surplus profit after they had been purchased. The pound, on the other hand, could increase because its domestic purchasing power had not fallen.

Speculation therefore took the form of selling dollars for pounds, and the Equalization Fund paid these pounds by giving Americans three-month British treasury bonds. After this it presented its dollars to the Federal Reserve Bank in New York, which had to hand over the gold, which was left on deposit, earmarked, in New York. The Equalization Fund was also used to purchase gold from

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mines with francs or florins and thus a gold reserve was built up without a decline in the pound.

Better still, during the American crisis of the spring of 1932, precautions were taken that the supply of pounds should be slightly below the demand for them, and that is why the pound rose from 85 to 96 francs between January and April, 1932. The rumor spread through all the stock exchanges that the British Government was going to stabilize the pound at 100 francs, but that was not its plan at all. The more the pound rose the less benefit debtors received who paid their sterling debts in gold. If the rise had continued money might have stopped flowing in from India and Egypt. At this point, therefore, the Equalization Fund offered more pounds in order to make its own currency decline. Then, as soon as it saw that speculation was causing the decline to go too far, it dipped into its reserves of foreign exchange and sold dollars or francs against pounds in order to make the price of pounds rise.

Speculators were completely bewildered by these contradictory actions. They did not understand that when the pound was rising the Equalization Fund was buying gold with dollars and that when the pound was falling it was receiving gold from India or Egypt. In both cases it was receiving metal, and since it had abandoned the gold standard it was never required to deliver any. But, having first bought gold and then foreign currency exchangeable in gold, the time finally came when the Equalization Fund found that its resources in pounds were exhausted. It then gave up some of its gold to the Bank of England, which paid it back in treasury bonds. Thus its supply of pounds was automatically reconstituted and it could continue its operations.

XV

Thanks to this ingenious device, the Bank of England has seen its gold reserve mount from 120 millions at the end of 1931 to 166,400,000 in March 1933. It is also estimated that the Equalization Fund controls 60 or 80 million pounds sterling in gold. If all this gold were put at the disposition of the Bank of England, the gold coverage would certainly be more than 50 per cent of the sight obligations. The English can therefore stabilize the pound sterling definitely and without difficulty whenever they want to do so. But that is merely a secondary purpose of Mr. Montagu Norman.

Thanks to the abundance of foreign bills of exchange based on gold that the fund holds, it can at any moment sell dollars for francs, French francs for Swiss francs, and Swiss francs for florins or dollars. It does not hold back; and we are witnessing this strange phenomenon: London, with an unstable money, determining every day the exchange value of the gold currencies. It is a strange paradox that people on the stock market regard with stupefaction and it makes them believe in the satanic genius of Montagu Norman. The fact is that through this clever policy London has succeeded in executing a *tour de force* without precedent in history. It has again become the greatest market for bills of exchange; it has remained the market for gold; and it has replenished its reserves. In eighteen months it has regained the three conditions that are

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essential to the central clearing house of exchange.

New York, on the other hand, beaten down by an unprecedented banking crisis, is out of the struggle for a long time. France has preserved its organizations and reserves almost intact. But if France becomes the only country with convertible money, which is possible, all the other countries can draw off her gold by buying her currency and never paying in gold themselves. In order to save her reserves France must establish a gold embargo and in consequence abandon the gold standard. Hence, at the forthcoming London Conference, England will possess the dominant position that France occupied for a moment in the summer of 1931.

Unfortunately, in the meantime the crisis has continued. Twenty countries have abandoned the gold standard, twenty-two others have established control over foreign exchange, and the international market is shrinking every day. If the dollar goes off gold it will have to be followed by the Swiss franc and the Dutch florin, and the international market will almost completely disappear. For more than ten years the big monetary institutions have fought against each other to gain control of the whole apparatus of international exchange. They have ended by shattering it. The victor's prize has disappeared. The task of the forthcoming conference is to rebuild this apparatus. There is no more time for struggles between banks. Our bankers have shown the world the power of their means of sabotage, which were, alas, too effective, but completely futile. They must renounce the dreams of monetary hegemony that the very nature of things forbids them from fulfilling. France will not be able to cling indefinitely to this policy of costly gold, which will ultimately force her to make enormous cuts, not only in wages and salaries, but in interest payments and budgets, a deflation that the voters do not wish and that no dictator could impose on them.

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Here are six articles from as many different parts of the world. They include a plea for European unity, a justification of Hitler, an analysis of Italy's foreign policy, a picture of Greece in revolution, and some disturbing reports about white men in the tropics.

Topics *of the* TIMES

AN INTERNATIONAL SYMPOSIUM

I. APPEAL TO EUROPE

By R. N. COUDENHOVE-KALERGI

Translated from the *Prager Tagblatt*, Prague German-Language Daily

EUROPE is not merely a continent, it is also an idea. This idea is called liberty. Belief in liberty, constant struggle for it and for individuality have distinguished Europe from the vast empires and despotisms of Asia ever since the Greco-Persian wars.

Europe's political fate is now in danger. The most immediate and powerful threat is Bolshevism. It repudiates the idea of liberty and substitutes the ideal of equality. The overthrow of the ideal of liberty arises from the victory of materialism. Extreme nationalism also repudiates individual liberty and regards the individual as merely one cell in the body of the nation. The nation is endowed with superhuman personality. It alone is animated with the will to freedom and the will to form. Humanity has no value. The individual has no value. The nation is everything. In the presence of this new divinity the values of individuality, spirit, and human dignity vanish. Even immoral action is praised if it promotes the interests of the nation.

The European idea of liberty is now threatened from two quarters, by the class and by the nation.

A barbaric period has begun. The condition of minorities indicates the prevailing code of chivalry. People

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and individuals who place power above chivalry deny the rights of minorities because minorities cannot protect themselves. This is the deepest meaning of the European minority question. Here is the barometer of European culture. Here is the first prerequisite for a European renaissance. The question of European minorities and their treatment has become a vital element in any programme of European revival. Pan-Europe is impossible unless the minorities of every nation gain their rights. This must happen in order that every European, regardless of language, condition, race, nationality, or religion, can proudly assert, 'I am a free European.'

The suppression and persecution of the Jews is a tragic chapter in the history of minorities. The Jews are not a culturally backward group that is being lifted to a higher cultural level. They are one of the most valuable branches of humanity. To them the world owes not only the founder of Christianity and all his apostles but innumerable men of talent and character and several of the supreme geniuses. Nevertheless, the Jews have been persecuted for thousands of years, first on account of their religion and now on account of their race. The real reason for this persecution is because they have been unprotected for almost two thousand years, because they have always been a minority everywhere, because they have had to depend solely on the chivalrous instincts, the lack of prejudice, and the civilized justice of the majority. In periods of pestilence and starvation, after wars had been lost or revolutions endured, they were always the lightning rods on which the wrath of the people descended. So to-day, in the catastrophe of economic crisis and unemployment, they have again fallen victim to fanatical hatred and ignorant prejudice.

The boycott of the German Jews was a sorry indication of this attitude. It was deeply regrettable because the people responsible for the boycott have endured a destiny that is similar to the destiny of the Jews in many respects. The German people, one of the most gifted in the world, is persecuted with unjust hatred, more because of its good qualities than because of its defects, and this old hatred has again come to the surface. Injustice in Germany aroused echoes of equal injustice abroad. German hatred of the Jews came echoing back in foreign hatred of the Germans. A foreign boycott of Germany followed immediately upon the German boycott of the Jews.

All Europeans must hope that this double orgy of hatred, injustice, and oppression will come to an end; that persecution of the Jews will cease in Germany; that persecution of Germans will cease in the rest of the world; that calumnies against Germany will end as promptly as calumnies against the Jews; that German minorities in Europe will have their rights restored as promptly as Jewish minorities in Germany; that after the confusion of revolution Germany will set the world a model for justice, order, chivalry, and protection of minorities; that, by treating all its own people as equals, Germany will put an end to the campaign of slander and war provocation that is going on abroad and that is preventing Germany from receiving just treatment at the hands of Europe.

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II. The Hope of Hitlerism

By Sir Evelyn Wrench

From *The Spectator*, London Conservative Weekly

A FORTNIGHT ago, in the Prince Leopold Palace in the Wilhelmplatz, Berlin, was gathered an expectant crowd of six hundred German provincial journalists and members of the diplomatic corps. Those who had been invited were asked to be in their places by eight o'clock and to wear dark clothes. At a minute past eight I looked at my watch. The great stateroom of the German Ministry of Information was packed to overflowing with a black-coated crowd, for the most part elderly men, relieved only by the occasional brown shirts of the Nazis and a few military and naval uniforms.

Cinema operators and 'talkie' photographers were assembled in force, and from points of vantage the nozzles of the cameras, like protruding cannon, were pointed at the tribune. For half an hour there was an expectant buzz of conversation and necks were being continuously craned toward the main entrance. At eight-thirty I asked my neighbor, who had a swastika buttonhole, 'Will he ever come?' and he said, 'Herr Hitler is often late. During our national political campaigns we have sometimes waited two hours in the rain, but once he came we forgot our woes, and only thought, "Here is the man who is going to save Germany."'

As I had to leave early to catch the Nord Express, I had been placed by the main entrance, which opened into a smaller reception room—here stood the waiting committee to receive their guests. Suddenly there was a hush, the doors on the opposite side of the reception room were thrown open. In walked a man of medium build, young for his age, with a ruddy complexion and a toothbrush moustache. Beside him walked another man, younger and smaller than himself, and then a crowd of dignitaries. Reichskanzler Adolf Hitler and Reichsminister Dr. Goebbels (the Minister for Propaganda and one of the Chancellor's closest advisers) gave a great impression of youth, vitality, and alertness.

Hitler was entirely without side. He came in munching something—I suppose he was finishing his dinner—and he smiled and munched and talked all at the same time. Recently he has hardly had time to turn, as everyone wants to see him, so I presume his evening meal had to be fitted in between engagements. Hitler is a man of austere habits. He neither smokes nor drinks. He is obsessed and absorbed by his life's passion to create a strong, united, and better Germany, to give fresh impetus to German culture, to *Deutschtum*, to give Germany its rightful place in Europe. Friends told me that Hitler has little sense of humor, and certainly as I watched him for forty minutes after he had walked into the great hall he gave me that impression. His recreation is music, and a friend told me he will frequently sit up till two o'clock listening to Wagner.

When Herr Hitler and Dr. Goebbels —the 'Doctor' he is called in the Nazi Party—emerged from the ante-

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room the audience stood up and gave the Nazi salute, to which Herr Hitler responded. Then we got to business. This was the Government's first meeting with the provincial press of Germany, and the two ministers were anxious to explain their views on current topics and especially to set forth their point of view on the freedom of the press. First of all came two addresses of welcome from the journalists' organizations, then the two speeches of Dr. Goebbels and Herr Hitler. When the former began his remarks he started: 'My leader and gentlemen.' From the British standpoint, with our tradition of a free press, the readiness of the German newspaper proprietors and editors to accept curtailment of their liberties may be hard to understand. For the doctrine that I heard preached was the freedom of the press to say what will serve the interests of the German state—sentiments that received rapturous applause. That is the only freedom of opinion which will meet with official approval—and then I had to rush off to catch my train.

In the train I tried to sort out my impressions—to put down on paper the present atmosphere of Germany. For better or worse Naziism has captured the imagination of the country. Hitler to-day occupies a position in Germany similar to that of Mussolini in Italy, or Masaryk in Czechoslovakia. He is the national idol. His photograph, like that of Lenin in Russia, is everywhere. Postcards of the Chancellor in uniform, in Tyrolian clothes, in top hat and tail coat seated on the veranda of his Bavarian home with his sister, by the roadside talking to humble folk, hang in every shop window. In photographic shops little books, the size of a visiting card, containing twenty snapshots of Hitler making a speech, that give the effect of a moving picture if the thumb is passed over them, are for sale. Will Hitler in office prove as successful a leader as Hitler climbing to power? That is the German enigma. The majority of the nation thinks he will.

One prominent German, what we should call a progressive conservative, a landowner, said to me: 'I was skeptical as to whether Hitler had the qualities to make a national leader. Then I met him three years ago and have seen him several times since. He really is a wonderful man—a prophet with no thought of self. He has an unfailing instinct as to what to do at a moment of crisis. The only part of his policy I do not understand is his treatment of the Jews; but you must remember that we have just lived through a revolution. He has accomplished a rebirth of the German nation. We feel that we live again, that we can hold our heads high once more, that we are not a subordinate nation in Europe. Hitler is not the fire eater that you in England seem to think; he does not want war, but he is determined that Germany shall have a fair deal.'

I then turned to friends outside the Nazi movement to try to help me to understand the national swing to Hitlerism. This is what I learnt: 'Young Germany, that is, the Germany that has grown up since the War, thinks that the Stresemann and Brüning policy achieved little. The Allies did what they liked with Germany. France and her satellites were the arbiters of Europe and Germany's interests were not con-

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sulted. To young Germany the Brüning policy of submission to the Divine Will made no appeal. The sufferings of Germany are little understood outside Germany. The people in England have no idea as to what we have been through. The War, the blockade, the 1918 revolution, the inflation,—all our savings gone,—the occupation of the black troops, which seared our soul, the Ruhr invasion, the running sore of the Danzig Corridor, the unemployment of 6,000,000, the hopeless outlook for all of us, no jobs for the professional classes. We have nothing to lose. Things could not be worse. What if, after all, these Nazis, who know their own minds, may be able to lead us out of chaos and corruption?'

The real problem is whether Nazism, which stands for Young Germany, once it has got into its stride, will shed some of its patriotic exuberance and become a willing partner in the new Europe. I hope and believe it will. I do not think the German nation wants war. But Europe must not be divided into groups of powers, either pro-French or pro-German or pro-Italian. That road leads to disaster. Will Hitler show that he has learnt his lessons, that he knows, as patriots in all countries have to learn sooner or later, that there is something greater than national allegiance? In 1933 it is not enough to love one's own country and to be ready to die for it. The leaders of the nations must be also good Europeans and good citizens of the world.

III. Mussolini's Real Game

By Pierre Dominique

Translated from *Pamphlet*, Paris Liberal Weekly

TEN years and a half ago a good many foolish things were being said about Mussolini's policies. At that time it was difficult to grasp his main ideas, which have only recently begun to outline themselves clearly.

Mussolini remains a plebeian, and, although he is clever and even subtle, the spirit of violence dominates him; he goes straight for what he wants. This simple, direct man, with the soul of a provincial peasant, is much more of a traditionalist than anyone has ever imagined and he has always been subject to delusions of grandeur. Everything around him suggests a superabundance of life, everything impels him to action. Above all, the ruins of ancient Rome cry out to him loudly, and modern Rome has doubled its population since 1922. Italy had a population of 36 million the day Mussolini seized power and now the population exceeds 42 million, and 9 million more Italians live in Italian colonies. Throngs of ardent young people surround the Duce, and there has always been something youthful and military about his success. There is a young quality about the people who listen to him speak, beside themselves with enthusiasm, and he himself was only thirty-nine years old when he seized power. The other great nations seem old by comparison, both England and France; the old Austro-Hungarian enemy died and Germany was defeated. On top of all this,

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Mussolini has not followed the usual politician's career. He has always been a nonconformist, and he still is under all circumstances. However, since he has been in power his nonconformity has driven him in the direction of embarking on the diplomatic revolution that is known as revision of the Versailles Treaty—a serious matter for Italy and Europe.

One more detail. Mussolini had no system in 1922. He occupied the same situation that Lenin and the Bolsheviks did, who not only built a new state with a new economic and social order, but also created an intelligently constructed federation of powers and set in motion a foreign policy that had nothing in common with its predecessor. No masters, no past, no prejudices, and at his back comrades as fresh as himself.

Remember, too, that Mussolini is free to act almost as he pleases. He is hardly obliged to pay any attention to Fascist opinion, to which he can always present things as he pleases, since he controls the press. He always has been and still is free to act as he chooses abroad, at least he remained so as recently as last December. There was never any prospect that Switzerland, Austria, England, or France would attack him, and even Yugoslavia would never have taken the risk of having to fight three countries at once. But since Hitler has come into power things have changed a little. The *Anschluss* has become possible, and it is this that is going to lead Mussolini to embark on a new foreign policy that up to now he has prudently felt out, having been patient to the point of hesitation.

Nothing could be more simple at bottom than the Duce's game. As master of a peninsula that can be blockaded by England, he is in the hollow of that country's hand. But England will never permit the two shores of the narrow stretch of water separating the eastern and western basins of the Mediterranean to belong to the same power. For Sicily is Italian and Tunis is French, and Mussolini knows that the English want these conditions to remain. Thus we come to point number one. Mussolini, like every Italian premier, whether Fascist, Democratic, Socialist, or Conservative, will maintain cordial relations with England, a country he has taken good care not to threaten, since he has not even built the 175,000 tons of cruisers permitted by the Washington Conference. England also represents a form of insurance for him. He knows that if any dispute with France gets too serious he can count on England's arbitration.

To the west is France. Mussolini might have tried to extend Italy's frontiers in this direction, but such a policy would have been difficult and its results uncertain. Even suppose he had succeeded, what would he have gained? One, two, three, four French departments, a million inhabitants, and the hostility of France for half a century. As for Tunis, Italy could not even send a million people there in twenty years, and what if England should oppose Italian annexation? Syria is giving France an enormous amount of trouble and would revolt against an Italian mandate. Turkey has designs on Alexandria and Aleppo and England on Damascus. Though Mussolini, irked by the attitude of certain French statesmen and urged on by his own people, seemed for

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several years to be pursuing an anti-French policy, it is clear to-day that he was merely making a simple manœuvre and that his essential interests always led him and still are leading him to an agreement with France, provided France yields three points that it has difficulty in maintaining: rectification of the African frontier by virtue of Article 13 of the London Treaty, prolongation of the agreement signed in Tunis in 1896 and denounced by us in 1920 without warning or negotiation, and naval parity.

II

Since the beginning of 1932 Mussolini has endeavored to keep these claims in the background, as he has admitted to everyone who has interviewed him, including Henry de Jouvenel, the French ambassador. It is not to Italy's interests to array herself against France. Of course, Mussolini will not abandon the Italian colony in Tunis. Of course, he hopes to extend Tripolitania to Lake Chad and dreams of building a transsaharan railway with a terminus at Tripoli. Of course he demands naval parity, which means naval superiority, because his whole fleet is concentrated in the Mediterranean. But though he will leave no stone unturned to make his own country as strong as France, he must have the friendship of France because he knows that he needs France urgently on the difficult front extending from the Tyrol to Albania.

North of Central Europe lies Germany, with sixty-five million inhabitants. Within ten years she will have seventy millions. To-day Germany is a military nation in the hands of a single individual who demands of all Germans the same discipline that he has always demanded of his own party members, a man who is being thrust into adventurous policies by his own racial romanticism. Then there is Austria, with seven million inhabitants. If the *Anschluss* is accomplished and an immense empire is organized, its whole weight will rest on Italy's shoulders. That is the fear that determines Mussolini's policy. Milan may well fear a German invasion of the Lombard plain. Trieste remembers that the yellow and black flag of Austria-Hungary was flying from the San Giusto church not long ago. 'If the Germans are at Klagenfurt,' Mussolini said to some visitors, 'they will soon be at Trieste.' That is why he announces, 'I do not want the *Anschluss*.' The fact is that when Foreign Minister Curtius of Germany tried to accomplish a partial union with Austria by surprise, Mussolini found himself standing shoulder to shoulder with Briand and forbidding it. More recently, when Chancellor Dollfuss of Austria visited Rome, where Mussolini must have mentioned the same thing to Von Papen and Göring, the Duce raised his glass 'to the future of the Austrian Republic.' What he meant is clear.

Nor is he the only one who opposes the *Anschluss*. Hungary does not want it and Czechoslovakia fears it. Certain blind Serbian politicians, caught between Germany and Italy, have pretended to prefer Germany, but Yugoslavia, like Rumania, knows perfectly well where German ambitions are moving and that, just as Rumania is threatened because Germany wants access to the Black Sea, so Yugoslavia is threatened because

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Germany wants access to Salonika.

But Belgrade also knows that Mussolini is trying to break up Yugoslavia. It seems that Italian agents promised the Duce they would do so during June and July. But when June and July have passed and Mussolini realizes that he is mistaken, that Paris, without proposing to act as arbitrator, which Rome would never permit, has been increasing its kindly offices and advising Belgrade to keep patient and silent, perhaps Mussolini will finally see that Yugoslavia is not an obstacle and that it can be made to serve his own interests.

What is this game he is playing? 'A free hand from Prague to Odessa,' says Mussolini. 'A free hand?' Yes. In the first place, no *Anschluss*. A halt to German expansion. Italy wants to have the five successor states and Albania, Greece, and Bulgaria reserved as its own field of activity. The mention of Odessa means domination of the eastern Mediterranean, control of the Dardanelles, resumption of the old Genoese policies in the Crimea and southern Russia. In short, an immense market with seventy-five million buyers is to be reserved as an Italian monopoly. Who can fail to recognize that such a game is essentially anti-German?

Italy would rely on English and French friendship, on the credit of both powers, to set up in some form or other, perhaps as a Danubian federation tied up with a Balkan federation or perhaps merely as an alliance among the small nations, a vast zone of political influence and economic predominance. But two of these nations, Rumania and Yugoslavia, seem a little too powerful to Rome. Hence Rumania is to be cut down and Yugoslavia to be divided. Italian policy, supported as it is by Hungary, can hardly fail to demand revision of the Trianon Treaty, but this revision can be very much limited and can be arranged for in a friendly way, while at the same time a federation can be organized that will reassure its members. The German thrust toward the south and southwest, which is now checked at the Brenner Pass and above Trieste, would also be prevented from moving in the direction of Salonika and Constantinople.

The game may succeed. Italy has already won Hungary and Bulgaria, not to mention Albania, to its side. The hostility of Yugoslavia may be eliminated by a compromise. The Little Entente may understand that if it accepts the idea of revision it will find in Rome an ally that will reinforce the alliance with France. In any case, Hitler's action in unifying Bavaria with the rest of Germany seems to have alienated the sympathies of Austria, and Chancellor Dollfuss is still behaving discreetly. No doubt this is a success for us, but it is an even greater success for Italy. Once again, in spite of the industrial and commercial power of Germany, in spite of the numerical superiority of the Germans, in spite of the hatred that Italy encourages every day in Belgrade, the game may succeed, and perhaps it is to the interest of France that it should succeed, especially to our financial, economic, political interests. For after all, if Germany puts through the *Anschluss*, if she sets up *Mitteleuropa*, what are we going to do in the face of that new empire? Either submit or fight. There will no longer be time to negotiate.

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IV. Revolution in Greece

By Cyril Connolly

From the *New Statesman and Nation*, London Independent Weekly of the Left

THE boredom of travel! There is an acute condition that develops in enforced lulls before the wholesome drudgery of getting from place to place makes a brute of one again. If you knew how bored we were in Athens! Stagnation and self-disgust engender a low fever that wastes the curiosity and resolution that might have cured them. The weather was too bad to go anywhere and the nearest sun was in Egypt. Sleeping late to shorten the day, one went to the window and found the Acropolis and the Parthenon blocking the horizon. A thing of beauty, that is a joy once or twice, and a standing reproach afterward. Downstairs it would be nearly lunch time. In the bar, which was an embottled corridor smelling of gin and Gold Flake, the Greek business men jollied each other up in cinema American and Trocadero English. The sombre dining room was like the Dickensian coffeeroom of a Midland hotel. The French dishes all tasted the same, like food on a liner; the Greek joints seemed made of sweetened gelatine. Coffee was served in the lounge amid the engineering papers, and snatches of conversations.

'I hope you are never troubled by the green-eyed monster.'

'Pliss, Mr. Ansull?'

'Why, you know what the green-eyed monster is. Jealousy!'

'O yais, Mr. Ansull, pliss?'

A walk in the afternoon. Tram lines, blocks of yellow houses, demolition, everywhere the metamorphosis of a tenth-rate Turkish market town into a tenth-rate Californian suburb. A pause in the bookshop, where one must choose between expensive art books on the Acropolis and diseases of the stomach, or sixpenny editions of Edgar Wallace and Wilhelm Meister. There were also the newspapers, and, if one glanced at them, phrases would enter with a little stab and begin to fester. 'Ruskin, one felt, would have disapproved,' 'wherein promise and achievement touch hands very agreeably,' and 'Bêbé is painting a portrait of Baba.' Before the dragoman's ingenious vulgarities I would gape like a mesmerized chicken.

In the hotel *thé dansant* would have begun. A hundred bearded ladies have brought their black little daughters. The ballroom reeks with stale flowers and cheap scent. All the tables are taken. The fathers in spats and clean collars try to eradicate from their faces the expression that forty years of Levantine practices have implanted. The mothers employ the vocabulary of the underworld of elegance. 'Très réussi . . . convenable . . . on aura dit . . . ça se remarque.' The daughters fidget. The young men attempt polish. All move in the psychologist's wonderland that is revealed to us when we watch charmless people trying to be charming. The band strikes up 'Come on, uglies, do your stuff!'

At dinner a piano and a violin play evening music, with 'Peer Gynt,' 'Rosamund,' 'Chansons sans Paroles,' 'Toselli,' wistful and gallant compositions that empty over one all the slops of capitalist sentiment. After-

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ward, there are the cinemas with wooden seats and German films unknown to the Academy, and a few places for supper. In Greek cabarets one is not allowed to sit with a woman unless one has champagne. The sexes are therefore divided on opposite sides of the floor. If a young man dances with a 'hostess' he scurries back at the finish like a male spider trying to escape from the nuptial embrace before he is eaten. The girls are sulky, the whiskey bad. Back in the room there are mosquitoes in February and the Continental *Daily Mail*, four days old, with an article saying that our greatest living stylist is Mr. Somerset Maugham. This day, repeated ten times, was typical of Athens. As boredom gathered momentum one felt all the ingredients of personality gurgling away like the last inch of bath water. One became a carcass of nonentity and indecision, a reflection to be avoided in mirrors. Why go abroad? Why travel? Why exchange the regard of a clique for the stare of a concierge?

On the day of the elections the sun was shining. It was one of those Sundays in early spring when there is an air of displacement. A sensation of keels lifting from the mud, of new skin, and of new acquaintances. We motored to Kephissia for lunch. The butter was good. Refugees paraded about in their hideous best, and gramophones played in Tatoi. At Hagios Mercurios we looked down over the plain to the blue lake of the Ægean, Chalcis, Eretria, and the snows and forests of Eubœa. In the wet weather we could not conceive a reason for being here; in a moment it became impossible to imagine being anywhere else.

II

Everybody had voted when we got back to Athens. The bars and cinemas were closed, and in the restaurant wine was served from teapots and drunk in cups as in an old-fashioned speakeasy. Crowds cheered. Venizelos was sweeping the polls. 'The best thing for the country.' As in all companies where politics are discussed, to compensate the dullness of the subject one began to feel an illusion of farsightedness and worldly wisdom.

Next morning the town was quiet. I was particularly annoyed to find an antique shop closed and tried to get the concierge to rout up the missing proprietor. Down the empty street moved a kind of gray Noah's ark on wheels. At the English tailor's we heard the news. Venizelos had lost the election. Tsaldaris, the head of the Royalist Popular Party, was in, but he and all his colleagues had been put in prison. There had been a revolution in Macedonia. The shops were closing and the proprietors of travel agencies stood in the doors with the keys in their hands. Lorries of mud-colored soldiers passed down the street distributing handbills. Martial law was proclaimed, newspapers suppressed, groups of people shot at sight by order of the chief of the revolution, Plastiras.

By lunch time it was accepted that we were under a dictatorship. All the *plats du jour* were 'off' and we bawled out the head waiter. An aëroplane flew over, dropping pamphlets in which Plastiras described the collapse of parliamentary government. Rumors collected. Plastiras was a Venizelist. He was going to cancel the elections and keep Venizelos in office. He was not a Venizelist and was going

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to govern by himself. I walked down the University boulevard. It was warm and sunny. A straggling crowd that was moving about suddenly thickened and made way for two archaic fire engines, whose hoses were playing over them. The smell of wet earth followed their path through the sunshine. Everybody laughed and teased the soldiers on the engines, who laughed back at them. The crowd began to cheer a motor-car from which a very ugly man waved his arms, and to follow it up the avenue clapping. The police and the fire engines went with them. One could not tell if they were shouting 'Tsaldaris' or 'Plastiras.'

In the hotel we received more explanations. Plastiras was in prison. 'It had all been done very quietly.' Venizelos and Tsaldaris had arranged it with the President of the Republic. The soldiers had fraternized. The dictatorship was a washout. General Condylis had flown last night to Athens from Salonika. Plastiras had taken him prisoner, but he had escaped and was marching with his army from Thebes on Athens. To-night there would be a big battle as Condylis wished to avenge Plastiras's execution of the cabinet in 1922.

We went out again. 'Tsaldaris' was being shouted everywhere. There were still crowds in the boulevard, but suddenly down a side street we saw a ragged collection of men marching with staves in their hands. On many of these the olive leaves still remained. Some only carried small untrimmed branches. They looked like a woodcut of Jack Cade's rebellion in a child's history book. It was at this moment that we heard the rattle of machine guns. Everyone ran giggling into doorways. 'They're only blank, of course,' was said knowingly. Turning into Stadium Street, some soldiers rushed up to us pointing down and crying, 'Katô, katô.' The machine guns began again.

The street, in normal times so straight and dull, became an enormous affair of shadows and relief, of embrasures and exposed spaces. The kiosk at the corner seemed as far away as it would to a baby who could just walk, or a very lame old man. As we ran round the corner volleys seemed to come from every direction. People threw themselves flat on the ground and hid behind trees. The Noah's ark passed down the end of the street with the snouts of machine guns thrusting from the wooden windows.

We came to a little restaurant where we had dined the day before. The crowd surged on the steps and the doors were barricaded, but when they recognized us we were let in. From the balcony more men with staves could be seen in the falling night. A small cannon boomed at intervals and shook the windows. A man was helped by with a bleeding arm.

While one-half of my brain dealt in realities—revolution, street fighting, baptism of fire—the other continued to function as if nothing had happened, and, remembering that someone was coming for a cocktail, I insisted on trying to telephone to the hotel that we should be a little late. The wires were cut, but if we went back directly we should still be in time for them. Back on the balcony we saw a crowd collecting at the foot of the University. A man ran up the steps waving something. A machine gun rattled, the crowd fell apart and revealed him lying in a growing pool of

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blood and brains. An ambulance bell sounded and a man with a woman in a mink coat walked down the middle of the street from the other side.

We slipped out and made our way round by alleys and crossed the Place de lá Constitution in the yellow dusk. We reached the side entrance to the Grande Bretagne. It was heavily barricaded. We knocked and rang, when another crowd of people surged round the corner and up the steps. There was a feeling of real hopelessness and panic. After them, turning elaborately, sidled the armored car. What had seemed comic and antediluvian was now implacable and fatal. The machine guns pointed straight at us; a fat woman tried to turn us out from behind a pillar where we were, but we shoved her quickly away. The car passed without firing and we got round to the other entrance.

III

Inside all was cheerfulness and commotion; everyone felt important and with a reason for living. We dined in a large party, including several people whom we had avoided for two weeks, and retired upstairs with a gramophone and a bottle of whiskey. A business man explained everything. Plastiras was master of the situation. He was a patriot. He would force a coalition between Venizelos and Tsaldaris. The latter's victory was illegal because he had promised the refugees bonuses that he had n't got. 'Plastiras does not play. He knows his head is at stake. If he fails he will shoot himself. He had eight officers shot who tried to arrest him. General Condylis was locked up. He sent him a telegram signed "Tsaldaris" telling him to fly to Athens. When he landed he took him prisoner. There would be no battle.' It was the best thing that could happen for Greece. The army was with him.

The night was dark and cold. Outside a few small tanks patrolled the streets. Machine guns looked down from the balcony of the palace. The armored car in previous volleys had chipped bits off the masonry along the front of the hotel. It was quiet and with the cessation of firing people began to feel the anticlimax and grow irritable. One wondered why one was cooped up with the tiresome business man; with the young Frenchman and his crisp platitudes; the clergyman's chorus-girl daughter of dubious status, who was explaining why she would never have a lady dog in the house. Everyone separated, secretly hoping for the roar of Condylis's artillery.

Next morning we were waked by the noise of trams. There were no guns on the palace. Newspapers arrived. The shops were open and nothing remained of the day before but the pool of wet blood by the University, surrounded by gaping students. At a time when Plastiras was supposed to be master of the situation, he had surrendered to the eight generals who commanded the rest of the army for Venizelos, Zaimis, and Tsaldaris.

The dictatorship was over, and had been over since eight o'clock the night before. Plastiras had seized the government with only one regiment; his party had repudiated him. Whether a patriot or a power-grabber, he was ridiculous. He had wounded thirty-three people and killed one and cured two or three discontented pleasure-seekers of the curious stoppage of the sensibilities to which they had fallen

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victim. They, while secretly admitting the futility of the eyewitness, the meaninglessness and stupidity of all that had happened, knew also that they had tasted the intoxication and the prestige of action and were soon rearranging the events of the day on a scale, and in an order, more worthy of the emotions that had been generated by them.

V. More Oil from Irak

By Dr. Adolf Reifenberg

Translated from the *Berliner Tageblatt*, Berlin Liberal Daily

ALTHOUGH the European press has paid but little attention to the matter, a revolutionary change is about to take place in the world distribution of petroleum. Economically as well as politically and strategically, the imminent opening up of the Mesopotamian oil fields will be an event of the very greatest importance. In the struggle over the energy sources of the world, petroleum has long competed with coal for first place. Whereas formerly the control of petroleum rested in the hands of the United States, in the last few years England has succeeded in materially shaking the monopoly of the all-powerful Standard Oil and in acquiring a considerable share in the production sources of petroleum.

The Mesopotamian oil fields are known to be among the most desirable in the world, the production capacity of the Mosul wells being estimated at twenty million tons a year, almost one-tenth of the world production. Before the War the Deutsche Bank held extensive petroleum-exploration rights in Irak, but afterward the German portion was divided among the old partners, Royal Dutch–Shell and the Anglo-Persian Oil Company; a French group that is supported by the Government; and the American Standard Oil. In 1931 a newly formed concern, the Irak Petroleum Company, received a definitive concession from the Irak Government and embarked energetically upon its work of development.

At present this company is laying an oil pipe line from Kirkuk, which is situated east of the Tigris, to the Mediterranean. This pipe line forks at Haditha, one branch going through Palmyra over Syrian mandated territory to Tripolis, the other going over Rutbah to Transjordania and through the Valley of Jezreel to Haifa. As the work is being carried through at a lively tempo, it seems probable that it will be completed in 1935, as planned. Water conduits and automobile roads are being laid parallel to the pipe line, so that when the Haifa harbor is opened at the end of the year, according to plan, one of the most important oil supplies in the world can shortly be made available to consumption.

Last year, while the development work of the Irak Petroleum Company was in full swing, another concern, the British Oil Development Company, obtained a concession for the territory west of the Tigris. The interests represented in this organization are also predominantly British. But since the company knew that it could not count

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on the League of Nation's supporting the policy of the Open Door unless other nations were represented, it joined with an Italian group which, in its turn, was connected with a Franco-Swiss group and a German group. In this German group the Friedrich Krupp Company, the Gutehoffnungshütte, and the firm of Otto Wolff participated. The German share is only 12 per cent, but Germany is to have a 38-per-cent interest in the deliveries in kind.

In spite of this international combination, it would be false to suppose that the British Oil Development Company, which recently changed its name to the Mosul Oil Fields Company, with an initial capital of a million pounds, is not fully under British influence. Article 32 of the concession contract expressly stipulates that the company shall be and must remain British. It must be registered in England, and not only must its headquarters always be located within His British Majesty's possessions, but even its president must always be an Englishman.

It is safe to assume that in the near future Irak will be throwing on the market about eight million tons of petroleum a year, which will be shipped from a port close to the centres of consumption. Haifa is only about one-fourth as far from the European continent as Abbadan, the oil port of the Anglo-Persian, and only a sixth or seventh as far as America or Trinidad. For this reason the Irak producers have the advantage of cheaper freight and can put their petroleum on the market at about 10 marks less per ton than the price of the American product. That will at least eliminate American competition, while the Rumanian oil interests have higher production costs and the Russians are struggling against political difficulties. Whereas the fields of the Mosul company are between 300 and 400 miles from the Mediterranean, the Irak Petroleum Company's fields are 600 miles away, but this greater distance as compared to the Mosul Oil Fields Company is counterbalanced by much lower production costs. The production of the Anglo-Persian may also be seriously affected by these new oil wells, but Anglo-Persian stockholders can console themselves with the thought that the Anglo-Persian has nearly a 25-per-cent interest in the Irak Petroleum Company. Moreover, for strategical reasons Persian oil production will never be abandoned, for England must see to it that it has an oil depot beyond the Suez Canal.

Petroleum plays a very important rôle in the security of English sea power. The British tank fleet comprises over a million and a half register tons. On the sea route through the Mediterranean to India, on the route around Africa to India and the Far East—everywhere the British Admiralty has taken care to be provided with oil bunker stations. Through the laying of the oil pipe line to Haifa not only is England supplied with its own oil port in the Mediterranean but it no longer has to reckon with the possibility that the whole English oil supply may be imperiled by the destruction of the Suez Canal. Moreover, not only does Haifa lie in territory controlled by the English, but the place of production itself is under the protection of English bombing squadrons and of a state bound to friendship by treaty. The tense situation in the Pacific Ocean clearly reveals that in the face

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of American rivalry England must remain intent on controlling all the petroleum land adjacent to its sea route to India and the Far East.

But not for England alone is the Irak oil supply of the greatest strategic importance. Through the laying of the pipe line to Tripolis France too will at last realize its long-cherished wish of possessing a national petroleum base. The same is true of Italy, which, like France and the two great sea powers, is increasing its naval strength in the Mediterranean from year to year. Although Germany will gain nothing in strategical respects from this new petroleum base, it may gain considerable commercial advantages. By participating in the Mosul Oil Fields Company Germany has not only acquired a significant share in the world production of petroleum, but at the same time has created an important market for its industrial products.

VI. Flight from the Tropics

By Hans Kampf

Translated from the *Neues Wiener Tagblatt*, Vienna Conservative Daily

A FEW weeks ago, on my way back to Europe, I traveled the length of Java from east to west. My attention was attracted again and again to the increased number of fields planted with rice and other native crops. Where previously there had been endless plantations of sugar cane, agave, and tobacco, where Europeans had wrested abundant harvests and profits from the soil with modern agricultural implements and the newest scientific methods, the Javanese again prevailed, with his hoe and his simple wooden plow drawn by two water buffaloes.

None the less, the opinion is still widely held that the Dutch East Indian colonies are an El Dorado for the hosts of Europeans seeking work. How otherwise can one explain the advertisements that have been inserted in East Indian papers, even in the last few months, by misguided individuals, some of them Austrian, who are convinced that they can create a new and better future for themselves in the tropics? Such attempts are doomed to failure from the start. For at present even Java is undergoing the most cruel economies and extensive dismissals of employees. The world crisis has hit everything—rubber, tea, tin, and sugar.

Rubber was affected first. Neither the state nor the manufacturer was able to find a way to reëstablish equilibrium between the production and consumption of rubber. At the moment of greatest necessity publicity was sought, with the result that in a short time no less than a hundred and forty salvage schemes were presented in writing to the government. Most of these proved valueless or impracticable. The best plan was followed. One hundred and sixty-nine rubber factories in the Dutch East Indies were closed and one hundred and fourteen continued to operate at half capacity. The result of these radical measures was extremely discouraging. For during the first year of reform the price for a kilogramme of

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rubber sank from twenty-five cents to thirteen cents. Even the few big factories—the small ones had long ago received their death sentence—could scarcely clear expenses at these prices, which still continued to drop, and no one dared any longer to speak of profits or even the prospect of profits. In the Dutch East Indies alone a hundred thousand acres of what were once carefully cultivated rubber plantations reverted to jungle.

Some idea of the former power of the cane-sugar mills of Java may be gained from the fact that before the advent of the crisis about fifty million gulden in direct taxes and freightage poured into the state treasury from that great industry alone, while the native population received almost a hundred and thirty million gulden in wages, ground rent, and so on. Favored by the damp, warm climate of the tropical lowlands and aided by the cheap labor in Java, the Dutch were able, through persevering efforts, to build up in the last hundred years a great industry of world reputation that seemed proof against any danger of decline.

As recently as two years ago, smoke poured from the slender white chimneys of 179 sugar mills in Java. During their annual period of production, which for many concerns stretched out to six months, these mills produced nearly three million tons of brown and white crystal sugar. An area of five hundred thousand acres was planted with sugar cane and a staff of four thousand capable farmers, chemists, and mechanical engineers directed the work. Nobody seemed to realize that manufacturing was simply a means to selling. How optimistic even the most perspicacious circles were a few years ago as to the condition of the sugar market may be perceived from the fact that only recently one of the biggest sugar firms built four huge new mills, at a cost of fifty million gulden, which barely had time to open before they had to be closed down again.

Only a little while ago there seemed to be no end to the world demand for sugar. Households and industries consumed an enormous amount. Not only was sugar used in the production of candy, preserved fruit, chocolate, and condensed milk, but the introduction of Prohibition in the United States caused a rapid increase in the consumption of sugar for ices, syrups, and sweet drinks.

The waves of the crisis broke over Java with a suddenness and fury that awoke fear and destroyed all hope of better times to come. Despite many conferences attended by representatives of all the sugar-producing countries, at which stringent restrictions of production were agreed upon, the fall in the price of sugar could not be stayed, so that to-day the prime cost far exceeds the selling price in most mills. Whereas before the War a hundred kilogrammes of Java sugar brought eleven or twelve gulden, a price which in the post-war years rose to the dizzy height of fifty-three gulden, to-day no purchaser can be found for sugar offered at the price of five and a half gulden.

With unexpected suddenness people discovered that it was impossible to find an adequate market for Java sugar. The stocks on hand kept growing larger until they reached the unbelievable amount of three million tons. It is impossible to imagine this mountain of sugar that is now heaped up in the local warehouses being

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eaten by the lump or the spoonful. The tremendous expense involved in storing and insuring this unsalable supply, together with a shortage of warehouses, has finally compelled the sugar industry to cut down production drastically. When the next period of production occurs, in the late spring, almost half the mills will remain closed for an indefinite period. A conservative estimate would indicate that in the last year about fifteen hundred European employees have been given notice in the sugar industry alone, principally foreigners but also many Dutchmen. It is impossible to estimate exactly how many natives have been affected, for during the sugar boom many thousands were able to earn an adequate living either directly in the mills and plantations or indirectly on the railroads and docks.

Not only these men but also the thousands of coolies who have returned to Java from the neighboring islands demand food and work. Even at the height of the business cycle Java was so overpopulated that it was compelled to export labor. Whole shiploads of coolies under contract, generally with their wives and children, were sent to Sumatra and even to Dutch Guiana and Curaçao. Notwithstanding, the native population of Java increased by six millions during the last ten years because of the rise in the standard of living and the drop in the death rate owing to improved hygienic conditions. Fortunately, the homogeneity and community feeling of the brown races are very pronounced, so that the greater part of the home-comers have found welcome and refuge in their old villages.

The emergency measures in sugar have made themselves felt all over the East Indies. Machine and lacquer factories, lime kilns and related establishments, shipping and commerce have all been affected by the crisis. Thousands of clerks are standing on the streets. Their last savings are being used to carry them back to Europe, and a real flight homeward is in progress. The ships bound for Europe are filled with steerage and third-class passengers, while the few first-class passengers—each of whom has a steward to himself—are compelled to hobnob with the second class in order not to feel too isolated during the three weeks' voyage.

II

The 'Away from the Indies' movement was initiated by the authorities and has been encouraged by them in every way. Until recently there was no protection for labor in tropical countries. The twelve-hour day prevailed in most establishments. And it should be added that, during the time of year when the factories were working night and day, neither Sundays nor holidays nor any other days of rest were recognized. It is true that the clerks had the right to an annual vacation, and after six years of work in the tropics were entitled to a six months' leave of absence in their home country. About a year ago an emergency decree—for not even the East Indies have been spared this invention of the crisis—made a three months' notice of dismissal obligatory and compelled the employer to provide his dismissed employees with at least a third-class passage home. Nevertheless, many people are cut off from returning because at this time small firms are no longer able to pay the costs of the voyage from the Indies to Europe.

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The first aim of the private societies, consulates, and lodges who seek to mitigate the lot of those sacrificed to the crisis is also primarily to enable the workers to return home. The creation of new work is impossible. On the contrary, the number of unemployed Europeans keeps growing from day to day. People realize that they are helpless to stem the current and therefore attempt only one thing—to conceal this frightful poverty from the natives, lest the white races should sink in their esteem. Only because the whites tower so high above the natives has it been possible to keep the latter in their place despite their great numerical superiority, for Java has forty-one million inhabitants.

Not only sympathy with the poor but also the instinct of self-preservation causes people to receive beggars of their own race like guests and to slip gold pieces quietly into their hands, so that they themselves will not lose prestige in the eyes of their brown servants and employees, who are only too quick to evaluate the social position of the European. Notwithstanding, the prestige of the white masters has suffered severely during the last few months and the consequences baffle the imagination. Many are trying to keep their heads above water by taking up new occupations. European chauffeurs in the big cities, scissors grinders who can no longer afford a coolie to push their carts, peddlers of cheap wares, and even ragged white beggars are a new and shameful sight in the streets of the colonial cities.

In Surabaya, which the Dutch proudly, and with justification, call the 'Little Paris of the East,' whole blocks of modern villas are standing empty. The proud villa owner of yesterday is lucky if he is still able to afford a modest bungalow. Strangers are drawing together and renouncing every convenience in order to reduce their expenses. Many have even given up their own automobile, which, in the tropics especially, cannot be considered a luxury but rather a necessary means of communication. It is one of the surprises of the crisis to see white men squeezed between natives and Chinese in buses.

All the Indies seem to be seized by the desire to sell out. Everyone who is still able to leave or who is compelled to return is trying to turn his tropical possessions into cash at public auctions. The breaking up of so many households at the same time has caused a ruinous drop in prices. Household furnishings can scarcely be disposed of any more, and an automobile in good condition—and with gasoline still in its tank—brings only twelve dollars.

Former directors of big firms consider themselves lucky to-day if, thanks to old connections, they have been able to find a place in an office or with an insurance company. It is true that even this work does honor to those old pioneers of culture. The fact is simply mentioned to show how radically and completely living conditions have changed in the Indies. For all that, those Europeans who still possess the courage to wage the battle of life are envied by many. Those unfortunates who have given up all hope and vanished into the kampongs, the native villages, are doomed to destruction. Fear of the kampong, of certain ruin, is causing people to flee. The emigrants who entered the tropics a few years ago full of courage and love of work are to-day fortunate if they can get home again.

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Persons and Personages

Hans Fallada

By H. A. Wyk

Translated from the *Neue Zürcher Zeitung*, Zürich Liberal Daily

To MEET Hans Fallada you go to the Europa House. The long, bare room with its overhead lighting is like an operating chamber, or a half-abandoned studio where little things are left about in disorder; in reality, it is a moving-picture studio, where one's nerves are tortured and harassed by the simultaneous recording of many films. Fallada hurries toward me, divesting himself of any relationship to the room as if shaking off an evil that he had borne too long. His one wish is to get away. You have to put in fourteen hours of work a day here and at the end of it you are only half alive. They have rewritten the film version of *Kleiner Mann* five times, and now he is struggling against the happy ending of all movies. Although our elevator has not yet dropped five yards in the shaft, we are already involved in the important question of *Kleiner Mann*.

Little Man—What Now? is a world success in the strictest sense of the word. In America they are going to publish an edition of 500,000 copies at a price that seems wickedly high to Europeans, but over there, strange to say, the publisher attracts trade by this device, for the price extols the value of the merchandise. In England, too, an edition running into six figures will appear, and there are already more than a dozen other foreign translations under way. In his enumeration Fallada fails to include them all. Yet he is more astonished than pleased with this tremendous success.

His literary origins are obscure; his name first emerged in connection with the expressionist school, and his novel, *Der junge Gödeschall*, and *Anton und Gerda*, which the author still considers his most poetic work, vanished rapidly in the rising tide of other products of his pen. Then, almost ten years later, when his great political novel, *Bauern, Bonzen und Bomben*, was published, the critics overwhelmed him with favorable reviews.

But the public took very little part in this display of enthusiasm, and the book, with its enormous capacity for registering the political atmosphere of the times and the temper of a provincial town in the midst of peasant disturbances, with its persuasive realism in the portrayal of uman types, and finally its skilled winding of the film of events—this

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book, which indicated that its author was in a fair way to becoming a second Balzac, went almost unread.

Then came the 'little fellow.' The critics were severe, rather cool, stating it as their opinion that the book might have a fleeting success, but that it nowhere possessed the mature, convincing tone of his earlier work; on the other hand, the reading public from every sphere of life devoured the book, rejoiced over it, could not get enough of it. The publishers joined the chase; they all wanted 'Bunny'—his heroine; they all decided that 'Bunny' novels would be an excellent gamble for the years ahead. This situation really presented a paradox, in that professional criticism and the taste shown by the readers were in reverse relationship to each other so far as evaluation of the book and influence were concerned. The author, a spectator himself, is amazed at the drama, but feels on the whole that the critics are right. To be sure, in judging them he is making use of a more profound type of criticism than that which they have directed toward him.

It is true that *Kleiner Mann—was nun?*, the book about 'Bunny,' is a book for recreation and that it owes its great success chiefly to women readers. No woman could have written in this manner about women, nor has any man of our time as yet written about women with such deep spiritual understanding. The whole book is a splendid piece of reporting; but it becomes poetry on the appearance of 'Bunny.' It is not yet a threadbare phrase to say that this character, who is actually described so sparingly, represents the return of the tender and all-bountiful love of woman; she is a marvelously simple, profoundly human Madonna conception, diffusing a clarity of heart through which men again perceive woman as the essence of the community and the guardian of its enduring values.

In view of this it is my opinion, I tell him, that recreational books have a distinct function to perform in the midst of general unrest and disorder; I venture to suggest that the book may represent a spiritual guidepost. It might be one, Fallada answers, if the books that follow pursue the same course. But he has no illusions about pleasing the 'Bunny' speculators who are now besieging him. From one quarter he is being urged to write something of a wholly patriotic nature, taking a theme from 1813. There are many people who would like to see him turn out on commission poetry based on the glorious deeds of national history. This illustration shows clearly what sort of temptations the man of popular talent has to combat.

DURING the conversation Fallada's wide, tranquil face and luminous gray-green eyes are full of inner animation. He is from Pomerania, but his heart is not rooted there and his features are only semi-typical of the

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locality. He says with conviction that the Pomeranian has faded in the shadow of the propertied classes, and that the Prussian lives without humor. But Prussianism is still far from being suited to everyone's taste. So the unexpected happiness that the book has produced in his life radiates from every corner of his face and from every word he speaks. I have always wanted to meet a true 'Sunday's child,' and Fallada's look of radiant joy over his success is powerful evidence that this fairy-tale creature actually exists.

When Fallada wrote about the character of 'Bunny' he was unemployed; things were going very badly with him, and neither he nor his publisher dreamed of the possibility of such a magic curve of success. But now he remarks, 'It is a miracle; my wife and I seem to each other like enchanted children!' He adds that he is sure that the miracle will not repeat itself. His next books are going to be of an entirely different character. They *will* be boring to the reader. At present he is working on a novel along the lines of *Bauern, Bonzen und Bomben*, which will deal with convicts released from prison.

Little Man has already shed considerable light on the complete hopelessness against which millions of people in Germany to-day are battling. And now the life of the despairing ones is to be further unfolded, with more telling penetration of treatment than before. 'I wish to bear witness to the unimportant people, who are very different from the popular conception of them,' says Fallada. Perhaps his work will have the effect of causing a perceptible change in the social structure, and we shall again be possessed by a passion for reform aroused by a Dickens and his *Oliver Twist*, which had, as a matter of record, a great practical effect. In addition to this novel about released prisoners, Fallada is contemplating a new type of criminal novel, new not only in the manner of its telling but in its amazing scope as well.

After this novel there will again be a breathing space in which the pendulum will swing broadly, slowly back and forth, allowing time for a fresh recreational book, a summer-time novel in which the love stories of two girls will be interwoven. And a third project on Fallada's literary horizon may be the continuation of *Little Man*, the story being resumed, however, at a point when the offspring is five years old and the parents are mirrored in their child. When the appropriate time for this book arrives, Fallada will have left the surroundings of the capital. He asks himself what is the matter with this stone-bound city of Berlin and its literary business. 'Everything is reduced to a pulp in talk, everything is put on paper, so that in the end one has the feeling that life itself cannot be found.' In this outburst we have a passionately ringing protest against making literature into a trade, against the feverish business activity of publishers and authors. Fallada refers to the life of peasants and char-

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coal-burners, who are rarely familiar with books, but who know how to live better than people can in this hideous machine of a city. 'I want to write books and live in the country. . . . My great dream is to have a little peasant holding.' It will be located in Mecklenburg, beside the sea. He cannot bear to wait much longer for its realization.

THE DIRECTION of Fallada's life curve, repeatedly twisted in its course, displaying dead, petrified spots, is like the development of a plant that writhes and turns until, having reached an open space through a process of blind yet infallible groping, it lifts itself erect by its own power. In a brief sketch of his life he tells me that he was always ill as a little boy, that he became a bitter, solitary soul, happy only with his rabbits. He failed in his final examination at secondary school, and, like an unfrocked Pythagoras, bore his shame by leaving school and taking to the soil, where he learned the rudiments of agriculture. He became the peasant type for which he yearned, and the obscure virtues of a pervasive smell of urine became real to him when he did midwife duty in stables.

'Later I was again unfaithful to the soil,' he continues. The young man, who held various official jobs on manorial estates of the east Elbe district, never became the right kind of slave driver, exacting from the people just what the master desired. 'Again I became involved in cities and offices. I had positions as bookkeeper, accountant, real-estate agent, dealer in fodder, potato grower; my personal fortunes swayed hither and thither, up and down, more down than up, for many long years.' He met and grew to know his wife, he slid into a newspaper position, and gradually things took a turn upward. After an obscure period of years, by the circuitous path of writing he again reached Berlin, where he had at one time lived for sixteen years. So now the struggle to return to the country and the soil has begun afresh, and will continue until it ends in complete fixation and permanent rooting in the earth. 'I want to live with animals and plants.' Already he dwells at the edge of the city, and somewhere in the distance he sees in a form still indeterminate a farmyard, a wood, water, a cow barn, and earth in which things are growing. . . .

And now it is time for Fallada to 'go back to school.' Yet even the film-making will be over within a few days, and he will belong to himself again. He indulges in reminiscence over the hours of his boyhood, 'when we stood in a hurrying, shadowy brook on a Sunday afternoon fishing for trout, when we walked through the barn at night, when the harvesting machines, chattering and clanking, tossed out the first wheat sheaves in an incredible golden stream, when, as we mowed in the fields with our scythes, the man in the rear set the pace, and it was a point of honor never to cut a narrower swath than the others did.' But Fallada is always concerned with the social significance of what he observes, and it may be

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that the strength he has absorbed from the soil will fortify his determination to regard the social chaos of our times with an incorruptible eye, and will enable him to accomplish even more by releasing profound emotional forces in the characters of his creation, and by interpreting human beings who are defiant of fate.

André Maurois

By Harold J. Laski

From the *Daily Herald*, London Labor Daily

M. MAUROIS first sprang into fame with books that depicted Englishmen to a French audience in the fashion that Englishmen themselves would desire. As an officer attached to the British forces, he discovered the silent, awkward Englishman, with his humor, his phlegm, his method in the minutiæ of breeding. He reported upon him with an air half-whimsical, half-skeptical, so that no one could mistake the mingling of amusement with admiration. He found an immediate audience; and from that hour M. Maurois has never looked back. He has conquered two worlds. There can hardly be a woman's club in the United States in which he is not a welcome lecturer; there cannot be a fashionable drawing-room in London in which he is not part of the essential furniture.

André Maurois has inescapable merits. He is always elegant, he is always well-bred. He has a facility for the well-polished phrase. His epigrams are supremely quotable at a dinner party. There is about him an air of attractive cultivation, as of a man of the world who knows all that a gentleman should without ever overstepping the mark of a gentleman's knowledge. He has a pleasant gift of satire. He dwells effortlessly and pleasantly upon the surface of things. He is as finely sophisticated as a cocktail that has been mixed by the master of a West End Bar. He always tickles the palate without ever stirring the mind. M. Maurois has discovered a *métier* as attractive as any in our time. He ministers to those who want the elements of culture without the need to stir the muddy depths of scholarship.

No one can deny the attractiveness with which he performs his feats. Matthew Arnold's 'pale, ineffectual angel' gave him his Shelley with an effortless brilliance that swept two continents. His Disraeli was a brilliant piece of elegant trifling; he caught the Oriental master of rococo with the dexterity of a fashionable portrait painter. The *Byron* was a more solid and careful performance; everything was there except the man who swept the imagination of Europe. One can read M. Maurois without ever being bored, or puzzled, or troubled. Everything will follow

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the well-worn paths of literary tradition. Nothing will be devoid of charm. To read M. Maurois is to understand to perfection the elegant minuet of the eighteenth century. He would have been perfectly at home with Marmontel and La Harpe; he would have understood Rivarol and avoided the acrid bitterness of Chamfort.

At bottom, M. Maurois's desire is to please a society that takes literature as one of its external decorations; and he amply succeeds in his effort. His society must be a leisured one, one that has made its bargain with fate, and asks, above all, to be amused. There must be no obtrusion of the really ultimate questions. There must be no examination of foundations. It is far easier to trifle elegantly about Shelley the Ariel than about the Shelley who, as in the famous attack on Castlereagh, could see with passionate indignation the pain of an oppressed and disinherited people. It is far easier still to explain the personal problems in Byron's life than to discuss the social environment, still more to judge it, which drove him into rebellion and exile. A writer for the drawing-room must not go into the study or the market place. M. Maurois takes care not to do so.

His talents, of course, are real enough. He knows to a nicety the tastes of his audience, and just how far he can go with them. His style fits his purpose to a nicety. It skims the surface with the same elegance as a kingfisher skimming the placid waters of a stream. It is as polished and reticulated as a fine piece of designed silver. All the right things are said with the air of a man of the world.

You feel that M. Maurois has always mingled with the right people and heard the right things said. He can report them and comment upon them with just that tinge of subacidity that persuades his audience that he is being profound where, in fact, he is just being clever. It has the air of being spontaneous, that hint of conversational charm which suggests that it has been thrown off across a table over the dessert with the candles throwing a pleasant light across the room. M. Maurois has the artfulness that conceals art. You never feel about him that he is struggling in the effort to discover ideas. You are never troubled by the creator's fury to be original. Everything is always neat and tidy and obvious. No one would think of searching M. Maurois's pages for novelty. But a curate who wanted to read a paper to his church literary society on Disraeli would be able, through M. Maurois, to persuade it that he was being artistic and charming.

André Maurois has the gift of clarity not, as with the great Frenchmen, because he has taken infinite pains to find a perfect medium for complex thought, but because he does not propose to trouble himself or his readers with complexities at all. By purveying the outlines only of the things that investigation makes complex, M. Maurois has combined

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simplicity and elegance in a degree rarely surpassed for the audience he has chosen to address. He ought certainly to arrive at the Academy. He has pleased all the people who really matter without causing a moment's displeasure to anyone significant.

Who needs now to read the two vast tomes of Dowden when their quintessence is so exquisitely proffered as upon a Dresden china plate? Why stumble through the six cumbrous volumes of Moneypenny and Buckle when M. Maurois can edit all their results in a volume as light and eloquent as a swan's-down cape? He can make a Mayfair countess talk almost like a bluestocking if she will only read him assiduously enough.

Most classes in society have their own special literature to cherish. The young city clerks of the 'eighties sighed over the luxuries of Ouida, in whom they found the means of fantastic escape. The office boy reads his Sexton Blake and revels in adventures in which he is able to identify himself with that superhuman embodiment of ingenious courage. M. Maurois will remain invincibly popular with that class in society which desires to be cultivated without paying too arduous a price for its adventure. In Mayfair and Walton Heath, in Winchester and Cheltenham, in Newport, Rhode Island, and Long Branch, New Jersey, he will make the rough places smooth and the crooked places plain. There must be thousands of people who would never have known the right things to say but for M. Maurois's genial sophistication.

It is, after all, a very real talent. It is not easy to be witty and elegant and a man of the world all the time; and the effort involved in keeping an audience that has so many alternative avenues of amusement is no light one. But M. Maurois, I suspect, is a writer for fair-weather times, or for people to whom a little knowledge is a decoration like a necklace or a bracelet. Put him alongside Sainte-Beuve or Hazlitt, Faguet or Matthew Arnold, and it is obvious that his substance, if charming, is thin enough. He can amuse those who have leisure of mind without fullness of thought. But he is content to make the momentary impression of charm. An audience that appreciates Bach or Beethoven will not lightly stay to listen to Offenbach.

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This moving description of Berlin and its unemployed presents in human terms the conditions that made Hitler's success possible and that he must alleviate if he expects to remain in power.

Casuals *of* BERLIN

By HEINRICH HAUSER

Translated from *Die Tat*
Jena Independent Conservative Monthly

ANYONE who attempts to write about people should view them, not in a state of isolation, but in relation to their environment. In our case this environment is Berlin.

What is the Berlin of to-day like? A city in decay. Foreigners, whose judgment can be trusted because they see the city from without and at intervals of time, say that Berlin looks worse than it did during the War or the inflation. They are right. One can tell when a family has become impoverished and ruined by the state of its clothing, by how threadbare and patched it is. To-day the streets of Berlin look like poor people's linen. The pavement is dirty and uneven, the asphalt worn out and mended with paving stones. The houses look dilapidated, for they are no longer being repaired. The streets are badly lighted and there are few lights in the houses. There are only two or three streets that still retain something of the sparkling splendor of a great city. Their light disappears into the darkness of the side streets like water colors that have run. Then the desert of houses lies dark and dead for miles on end.

Berlin is in rags and tatters. It has become so poor that one can again see the poverty of its soil, the Brandenburg sand, through the holes in the pavement. One wonders how it was ever possible for such a great city to have risen from such poor soil. One senses the inner weakness of this growth, for which the boom years of the economic cycle served as a hothouse. But now a new glacial era has begun and everything that is not capable of resistance is dying. Berlin is decaying; for the first time in its history its population is falling. After

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a great flood tide the ebb is commencing; it is possible that as much may flow away as once streamed in.

Few of the inhabitants of Berlin have a clear understanding of the decline that is taking place. Still fewer understand the logic and the consequences of the situation. But there is not a Berliner who has not felt the icy breath of circumstance. One would not go far wrong in saying that to-day Berlin possesses the most nervous, excited, tense, and politically lacerated population of any German city.

Street scenes prove this most clearly. Poverty and unemployment are driving people on to the streets. At the same time traffic has diminished in volume and tempo. This has given the streets an almost southern aspect. On every side one can see great numbers of idle and aimless people giving themselves up to every impression that offers itself. And indeed there is no dearth of scenes to arouse the curiosity of these hordes of men. Every day and in every street one can see street vendors, show windows, troops of uniformed men, police patrols going by on foot, on horseback, and in automobiles. Here armed men are hurrying by on the run, there somebody is being arrested, here pamphlets are being distributed, there a passer-by collapses from hunger and exhaustion. One is watched and spied on everywhere. Red flags and the badges of the non-nationalist parties have disappeared from the city streets, but the men who bore these insignia must still be present, and that is what causes tension. In the last few weeks Berlin has acquired an attribute that heretofore it has entirely lacked—depth, a subterranean pressure and tension, an atmosphere such as the older metropolises of Paris and London have always possessed, though in a wholly different way.

II

We shall now concern ourselves with a definite section of the Berlin population—the unemployed. One might say that the fate of the unemployed is the same everywhere in Germany or, indeed, all over the world. But I believe that an unemployed man in Berlin embodies the fate of the unemployed at its purest because his environment is narrowest and offers least escape.

If we observe the great masses of the unemployed we can easily divide them into an active and a passive part. The active part is smaller and may be distinguished purely externally by its more rapid and purposeful motion. Those are the men who have entered the storm troops and the semi-military organizations. Some of the suburban-farm colonists, of the street vendors, and of the many new, as yet nameless occupational groups also belong here. In a legal sense these men are all unemployed, but, from the point of view of the content of their lives, they have conquered the condition of unemployment through their own efforts.

The inactive group is much larger than the active. They are the people who are too old, too weak, too helpless, too one-sided, too disheartened, too unnerved to bear the pressure of unemployment inwardly, and hence to conquer it outwardly. They are also the group that unemployment has broken inwardly, in so far as they were not already broken.

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The two groups therefore differ greatly in the quality of their human material. If one were to examine a number of prisoners who had all undergone a long period of confinement, one would find that the same punishment had affected different individuals in a wholly different manner. Some would be improved, some inwardly hardened; some would find the way back to civil life easy, others would never be able to return. It is precisely the same with unemployment, whose effects upon men are very similar to those of imprisonment.

The great question as to what will happen to our six million unemployed has already been answered to-day. Some of them will never have an opportunity to work again. Whatever work there is will be picked up by the active group. The greater part of the passive group cannot be saved. It is possible that the state may succeed in keeping their bodies alive, but their spiritual death cannot be prevented or undone.

A significant indication of the different destinies of the two groups is that the active group is also politically active, while the passive group on the whole is quite indifferent to politics. The division of spirit that has already taken place necessarily involves a division of destinies.

The more one considers the group of the passive unemployed, the more strongly one is seized with horror at their fate, until one's mental receptivity and imagination fail and one is apathetic and callous before the tremendous amount of spiritual destruction, which cannot be checked by the power of the individual. If one thinks of this mass of human beings as a single body, that body will be seen to be so severely wounded that it is doubtful whether it would not be more humane to put it out of its misery rather than keep it alive.

A tremendous amount has been written about the living conditions of the unemployed. The newspapers printed a host of accounts that first shook us and then left us cold because some unconscious impulse of self-preservation kept the reader from grasping the full significance of the reports. The immense extent of the distress had a protective effect, just as fainting protects one from too great pain. The relief funds were split up again and again and balanced against the necessities of life. Again and again it was ascertained that the minimum had already been passed and that it was a miracle how men could still continue to live, in some way or other.

We shall here leave material details of this kind entirely out of the picture. We do not fail to recognize the connection between material and spiritual need, but we claim that the spiritual death of the unemployed can be explained not at all, or only slightly, through material need. We shall try to show in what way the soul of the unemployed man is destroyed, how he loses his humanity, and why his continued physical existence is a matter of complete indifference after the death of his soul.

Any physician can explain how it is that men can continue to live and even remain comparatively well in spite of insufficient nourishment. Man is the most adaptable of animals. In time of need he can compensate for lack of food by additional sleep, reducing his consumption of energy by economy of motion. This primitive expedient is instinctively employed

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to a large extent by the masses of unemployed. This is what gives them their uncanny appearance of indolent dullness, as if they were all old, sick, and feeble. Physical maintenance is also achieved by means of private charity and individual activities such as collecting refuse and garbage and, in the summer, picking mushrooms and berries and gathering wood.

The space in which an individual lives is very much restricted, especially in winter, by the necessity of economizing on motion and of crowding together with others in order to keep warm. Therein lies one of the few connections between material and spiritual need. The capacity of the proletarian dwelling is so limited and the inner life and imagination of these men are so poor that they vegetate without really living at all. We shall now attempt to show that the spiritual collapse of these men begins with the intervention of the state.

III

The man who has lost his job reports at the Labor Office. The Labor Office first demands proof of several things. The man must be able to prove that he has worked for fifty-two weeks without a break. He must prove that during that time he paid his social taxes regularly. His disablement card must be in good order. He must have a permanent residence and be able to prove it. If he has not been an employee he must bring his tax voucher with him. He must therefore first of all produce a series of papers, and for the manual laborer this is an unaccustomed task of a difficulty that the bureaucrat can hardly imagine.

If he does all that correctly he then receives a detailed blank form, his application for state relief. After he has filled that out he must wait for about an hour and a half while an examining office compares his application with the papers he produced. If there is anything questionable about it, if, for instance, he did not pay his contributions regularly or if there are some technical errors, the state promptly refuses all relief. In that case the application passes through a series of examining offices until it reaches the head official. If the head official does not find anything wrong, the application is submitted to the adviser, who then turns it over to the appropriate welfare agency. In other words, there is a division between state unemployment relief and nongovernmental welfare work. One of the two must take care of the unemployed. Each endeavors to shift the burden from itself on to the other. Thus a war of powers takes place and in the meantime the unemployed must wait.

If there is nothing wrong with the application, the applicant will be summoned to the Labor Office—he will receive the usual unemployment relief. But not right away, oh no. Rather will something like this be said to him: 'With your income, you should have been able to save so much. If you did not do this, that is your fault. In any case, we must act as if you had saved that much. It is an educational measure. We shall therefore subject you to a period of waiting, that is, we shall not begin paying you unemployment relief for four or six or eight weeks. And we shall naturally not begin doing so until we have examined all your statements and papers again.' In order that the

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man shall not starve in the meantime he receives a so-called 'gratuity' that is proportional to the amount of his rent.

The first time he comes in contact with the Labor Office he receives a number. For the Office he and his destiny are incorporated in this number, and since the Office has now become the focal point of his life he too identifies himself with this number. He loses his personality, since for the Office he is not a personality but a number.

The Office sends an investigator to his home who sees whether his room is in the front, middle, or back of the house and examines its sanitary arrangements, height, condition, outlook, and price. The man, who up to now has been accustomed to consider his home as a place of refuge in which no strangers can intrude against his will, loses this refuge, loses a part of his private existence. Again he comes a step nearer to being simply a number.

If he is married and if he has children then both men and women investigators will come to his home. They will look at his underwear and examine his children. Since he is accepting the charity of the state he loses his rights as the head of a household. The Juvenile Board can take his children away from him if it gets the impression that they would do better in some other home. Again he has forfeited a part of his private life, this time an important part. He considers it as a loss of his human nature and his human rights. Again he has approached the state of being simply a number.

The man who loses a job to-day will have hard work getting another. It is therefore probable that he will continue to be dependent on relief after he has run through his thirteen, or at the most twenty, weeks of unemployment relief. Again he must go to the Labor Office with all his papers and vouchers. Again he must endure long, anxious periods of waiting. Again his case will be examined with the greatest care. Then he will be assigned to crisis relief. He will receive a new number that will be the central point of his life for the next ten weeks.

After this period it is just as improbable as before that he will find work again. From the Labor Office, where he went first, his application goes to the Pay Office, which paid him his first relief. The Pay Office transfers him to the Crisis Relief Office. The latter sends him back to the examining department of the Labor Office. After registration he is sent back to the Crisis Relief Office, which sends him on, after examination, to the Welfare Board. Here he must run the gauntlet four times of having all his affairs examined. Again he receives a new number that may serve as the focal point of his life from now to eternity.

If his application is accepted by the Welfare Board, he receives temporary, provisional relief. He is subjected to a new examination. Two different kinds of examiners follow each other—a general one from headquarters and one from the Board who examines him rapidly for special circumstances, such as illness. The examinations become more and more severe. Since there is no longer any chance for the private agency to shift the burden of relief to the state, it tries to place it on the family of the unemployed. The examiner tries to find out if there

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are not some relatives who are working or if there is not some money somewhere in the family, with parents or brothers or sisters. Aren't there aunts or uncles who are drawing an income? Isn't there anybody who can take the burden off the public treasury?

The unemployed man must endure without protest all these humiliating invasions of his private life. He is no longer a man but a number; he is less than a number, he is a burden. He feels himself to be a burden, and he becomes a burden to himself. Having been considered inferior by others, he comes to consider himself so. All his vital energy and courage are sucked out of him. The battery cells in which the vital power of man are forever renewed have been short-circuited. The man is a casualty.

IV

There are Welfare Boards in all the districts of Greater Berlin. They are usually established in buildings that were already existing, in war-time barracks, in empty factories, in tenement houses. (There is no city in the world in which factories and residences look so much alike.) Big signs are hung out in the street: 'One to 5,000, 8 A.M.; 5,001 to 10,000, 8.30 A.M.; 10,001 to 15,000, 9 A.M. . . .' The numbers may go up to seventy or even eighty thousand in a single district. Each number stands for a person.

He who wants to familiarize himself with the Welfare Boards must rise early. At five o'clock in the morning on days when relief is paid, both summer and winter, long columns of people stand waiting before the doors, in order to get through as soon as possible. They wait four hours for the office to open, get their cards stamped, then wait two hours more on an average to get their money. The newly erected temporary partitions and barriers behind which the clerks sit are the only things in the whole room that have not been worn out with use.

The welfare system is so complicated that it has to seek the help of all the colors of the rainbow, like any other business office. The stamp card of an unemployed person has as many colors on it as a painter's palette. There is a lilac pay stamp, a thick, bright-red number, a green stamp with 'S R' on it, standing for 'Special Relief.' There are fountain-pen marks, blue date stamps, green stamps indicating the month, circles with red numbers in them, bright-colored strips of paper pasted on, government stamps, application numbers, signatures, odd combinations of numbers and letters, paragraph marks, intermediate stamps. The whole thing looks as mysterious as if it had come out of a book of magic.

That is what happens in general. Now let us consider a special case. Even in its most limited form, life contains a certain amount of variety. There is not an unemployed person who is not compelled at some time or other to make a special request. For instance, he urgently needs a suit of clothes. Let us follow the history of such a request.

Unless the man is so badly off that the Board admits the urgency of his claim without further ado, an investigator is first dispatched to his home to examine the state of his clothing. If he still has a dress suit

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the urgency of his claim is denied, except in the case of members of certain vocations, as, for instance, waiters. If the investigator decides that the situation is really urgent, the district supervisor O.K.'s the application, which is then sent to the head official, and all the necessary routine may be accomplished within a week.

But that is an unusually favorable case. Generally the application goes to the welfare agency. The agency sends it to its examining department. The examiner investigates the applicant's affairs and gives the application to the district supervisor. The supervisor verifies the application and sends it on to the Welfare Board. The Board gives it to its head examining office. The examining office checks the reports of the examiner and the district supervisor and the Welfare Board. The Welfare Board sends the application to the departmental chief. The chief gives it back again to the examining office. The examining office sends it to district headquarters. Headquarters sends it to the head official. The head official gives it to the head examining office, and the head examining office sends out another examiner. The examiner examines everything and sends his report to the head official. From there the application goes to the appropriate clothing committee. The committee gets in touch with the Welfare Board in order to check up on whether any special donations have already been made. The Welfare Board gives its report. The clothing committee sends a card to the applicant, summoning him to the Welfare Board. The Board informs him whether his application has been accepted or refused. If it has been accepted the applicant receives a notice to report to the clothing committee at a given time. There he must present his notice and his stamp card. He then receives two delivery orders. Armed with these orders, he can repair to a shop designated by the Welfare Board and buy himself a suit of clothes at a price specified by the Board. At least he can do so if he has not died in the meantime, for the whole process lasts about half a year.

It is immaterial whether this information, which I have gathered from those who have received welfare relief, is correct to the last detail. The important thing is that it seems like that to people. There is only one phrase that describes the whole process: madness with method.

V

The following is the account given by an unemployed man who, coming to Berlin from outside the city, sought to receive a stamp card.

'It was February 6, 1932. Outside on the streets the snow lay deep. The cold made people walk rapidly to keep their blood circulating. I found myself in the welfare division of a municipal shelter. A welfare worker took the first step for me, so that I could establish a residence in Berlin. The reference office assigned me to a dwelling. I went there, got my rent certificate, returned to the shelter, and presented it. There, about noon, I received my first rent, to the extent of five reichsmarks.

'The people with whom I was living were friendly and very old. The man said to me: "You had better go to bed early, for you will have to feel up to the mark to-morrow in order to be

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able to stand all the waiting around at the agencies." I had as yet no idea what was in store for me.

'I got up early the next morning and went to the Labor Office in the Gleimstrasse. When I got there at eight o'clock, long lines of people were already waiting, pressed close together. The subject of conversation was always the same: "The dogs have cut me down again. . . . They refused my application for shoes. . . . I receive only 16.50 a week for my wife and two kids, and half of that goes for rent." It was very cold so early in the morning. The people looked at me as if they thought I had come from another world because I still had fresh red cheeks from living in the country.

'The clerk who took care of me was the supervisor himself. He asked to see my working papers, insurance card, and police report, and inquired whether I had ever been registered before. I said no. First he filled out a four-page application blank. Then he took some cards, wrote the details of my case on them, and gave me a letter that I was to present at the Central Labor Office in the Ystallerstrasse. First I had to place an application for unemployment relief with this office. Not till that was refused would there be any question of my receiving welfare relief. At the Labor Office everything was arranged alphabetically. Every unemployed person presented his application to the clerk who took care of those whose names began with the same letter of the alphabet as his own. I went to the proper clerk and was fortunate to get through by eleven o'clock.

'Unemployment relief could not be granted, so I had to return to the Gleimstrasse, where I had to fill out a new application blank. From there I rushed back at top speed to the Ystallerstrasse, where I at last got a stamp card. With this I ran to Barracks No. 1 in the Diesterweg. I got there just a second before twelve o'clock, shoved my stamp card at the clerk, and heard him say a number. But I did not know what that meant, thought nothing about it, and waited. The barracks were deserted. After an hour and a half a young man appeared and I told him my story, but it was too late, because I had forgotten my number. Here again I had to fill out several blanks. I was advised to go to the Central Welfare Board in the Danziger Strasse, where I would be taken care of in Room 114. My spirits were low, but I still had thirty reichspfennigs, so I bought myself some sausage at a horse butcher's for twenty pfennigs and some rolls for ten pfennigs and thus stilled my hunger.

'The next day I left the house early. I could n't stay there because it was merely a place to sleep in. My bed stood in the corridor. When I got to the Central Welfare Board there was already a long line of people before the gates. When the doors were opened they rushed in with a shout. Room 114 was on the second floor. A crowd of people were standing crowded close together, among them some children. Here, too, one heard nothing but the same eternal complaint. These people were interested in nothing else.

'At nine o'clock the office opened. Clerks came out with numbers and distributed them among the unemployed. I received No. 11. Beside me a man fell unconscious to the floor.

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Almost everybody comes there on an empty stomach. The people about me began to whistle and complain because no one came out of the health bureau. Finally some of the unemployed dragged the unconscious man to the lavatory. He came to again in the ear-splitting din. But I began to feel uncertain about my application. My number was called and I stepped up and presented my application to the head forwarding clerk, who was very friendly. He quickly filled out some blanks and sent me over to the Diesterweg barracks, where the pay office was. It was filled with noise and smoke. A clerk called out the names in a loud voice. After two hours I got my money. As it was still too early to go back to my sleeping place, I loitered about for the rest of the day. In spite of the cold I did n't want to go into the public shelters because the people there talked about nothing but the troubles of the day.

'On Mondays and Thursdays I went to get my card stamped, and on Fridays I drew my money. Every third week I had to spend the whole day going through the entire business again from A to Z. Since I could n't spend the day at my sleeping place I decided to take a furnished room, for my hours on the street were empty and dreary. Since my clothes were all worn out I bought myself bit by bit, out of my relief money, jacket, trousers, shirt, shoes, and stockings. I did n't pay any attention to the hunger I was suffering. I gave up warm food and bought bread and horse sausage instead. I walked up and down along the Sportplatz watching the games, but that did not relieve me from my dreadful solitude. I often looked for work, even outside the city, but my efforts came to nothing. I longed to take to the road again, but I had lost my old courage. Not for a moment did I think I would stay in the cursed wilderness of Berlin, but I was too worn down to leave.

'Now I have gotten used to it. I receive nine marks, five for rent, four to live on. I sleep till midday. Then I buy thirty pfennigs' worth of rolls and have enough for the whole day. I sit in my room and don't go out, for otherwise my hunger would be greater. On Mondays I get my card stamped and every two weeks I get money. For the rest, I brood over things and play the zither in the family where I live. When anyone asks me how things are going I cheerfully and vigorously answer, "Fine," for that pleases people. I have never fallen into bad company, nor do I belong to any political organization. I am a member only of the National Association for the Physically Hampered. That is the average life of an unemployed man.'

VI

We have seen how a human soul is caught in the toils of the system, how it is crushed and ground up, how it is destroyed and dies. What has happened to this one man is happening to millions. What is to blame? Not the system as such. It has its faults, but it at least functions. The blame falls upon the materialism of an epoch which, thank God, is now dying, since it believed that human problems could be solved through technique alone.

I have spent many observant hours at welfare agencies. I have watched the strange reciprocal effect that the

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moods of the men before and behind the barriers have on each other. It is like this. The men before the barriers are hungry, nervous from waiting, and trembling with tension, and a strange excitement seizes them when they finally stand before the clerk. If the clerk is a nervous man himself, this tension will affect him contagiously. He will become excited too and will make mistakes in his treatment of the men. If he is by nature calm and knows how to remain remote from the perturbation of his clients, this very calmness will be highly provocative, because it will be taken for indifference. It takes a great deal of tact and a great deal of experience, such as only the exceptional person possesses, to handle unemployed men correctly.

But the worst thing that can happen—and unfortunately it occurs frequently—is this: The clerk is not sure of himself, he is aware of his nervousness and does not feel equal to his task. He therefore refuses to accept responsibility. To one person he says, 'Put your request in writing,' to another, 'Come back to-morrow morning,' to a third, 'Go to such and such a place,' to a fourth, 'New rules have been issued,' while a fifth is given only a portion of what he is asking for. In short, the clerk works 'according to rule,' which in its results amounts to a kind of passive resistance. I know that way of acting all too well. The most dangerous and effective way of striking in business was always to 'work according to rule,' for human life is too many-sided to be expressed in rules. Rules are always incompatible with reality. Therefore laws and rules must always be broken in order for life to continue.

Let us once more enter a Welfare Board in full operation, with its roar of thousands of voices, its mental tensions, its primitive moods, its inner despair. Just stop and think that these are all men who have never, or almost never, come in contact before with papers, writing, or bureaucracy. Picture to yourself their bitterness, which is increased by the clerks, who vent their own bitterness on the men who stand helplessly before them. Picture to yourself once more this mill of a system, crushing and grinding between its stones whatever is human in men. Then you will understand the reports that appear every day in the paper: 'To-day X., an unemployed man, cut his wrists in the Welfare Office because he was refused an extra allowance of two marks for rent. X. was the father of four children.' Then you will understand the 20,000 suicides a year in Germany. Then you will understand why so many people who still have work say, 'If I am ever reduced to welfare relief, I shall shoot myself.'

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Here is the history of the most sensational British spy who ever worked in Russia, followed by an account of the kidnaping of the White Russian, General Kutepov, in Paris three years ago.

Russian Secret Service Secrets

By XAVIER DE HAUTECLOCQUE

Translated from *Le Crapouillot*
Paris Topical Weekly

AT THE END of the War, when illustrious statesmen decided to substitute conferences at Geneva for that venerable and dangerous secret diplomacy that up till then had controlled the relations between one people and another, did they have doubts as to the consequences of their generous decision? At the risk of seeming a blasphemer, I ask permission to express an opinion that I shall support with proof.

The amateur diplomats at Geneva have revealed real talent for talking. The old professional diplomats at the embassies, who never did much work anyway, have profited from this state of affairs by working less than ever. Accordingly, the men who have really profited from the new order are very redoubtable fellows. They are the international secret agents.

Nothing could be more natural. The League of Nations may be able to foresee a threat of war, but how can the League stop hostilities when they have begun? Lovely words cannot close the gaping muzzles of cannon. The final end of the present world-political system will therefore arrive when the debating arena of Geneva is faced with an accomplished fact. It is to create such an accomplished fact that the above-mentioned secret international agents devote their efforts. These bold, irresponsible chargés d'affaires are replacing, to the disaster of our planet, I fear, the responsible chargés d'affaires, who nowadays amount to nothing but fossilized ostrich plumes belonging to some prehistoric epoch. Proof of my contention is not lacking.

In my article on Sir Basil Zaharoff, I referred in these pages to declarations made before the House of

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Commons showing the rôle that representatives of the British munition makers played in bringing about the last Greco-Turkish war. That war cost a hundred thousand lives.

In the Far East the Chinese and Japanese are again disemboweling each other in Jehol. Bold traveling salesmen have already brought back contracts for munitions, all made out in the proper form, to the Vickers-Armstrong interests in England and to the Yankee Bethlehem Steel Corporation, about which we shall perhaps publish some curious documents some day. A possible corollary here is a war in the Pacific.

In South America there are supposed to be oil wells in the Chaco districts and in Tacna-Arica. Bolivia, Paraguay, Peru, and Colombia are clawing at each other's hair. In other words, Royal Dutch and Standard Oil are still pursuing their petty quarrels.

We come upon some sublime discoveries in Germany. Who gave Hitler his first propaganda money when he prepared the Munich *Putsch*, impoverished and unknown? That someone was connected with the Allied information service, Commandant R——, with headquarters at Saarbrücken. A German court has looked into this deal and a written account of the trial exists. When Hitler became a power in the land, who do we find in his immediate entourage? None other than Captain Vivian Stranders of the British Intelligence Service, who was sentenced for espionage detrimental to France in 1927.

In 1932 the Hitlerites prepared to seize power. They moved their headquarters to Danzig. There were threats of war against Poland supported by a series of tendentious dispatches to the British press. The author of these pro-Hitlerite dispatches was none other than the English agent, Greenwall.

The moment Hitler became Chancellor he revealed his secret thoughts to the world. To whom did he address himself? To the Englishman, Colonel Etterton, a journalistic superior officer whose activities will bear examination some day. Secret Anglo-Saxon agents have never ceased imposing themselves on the leader of German supernationalism, and what can be the purpose of such diplomacy if not a new world slaughter?

II

To-day we are going to examine how the occult post-war diplomatists have occupied themselves in Russian affairs. A whole library of novels could be written on this mute and furious battle that has been going on since 1917, sometimes dividing, sometimes uniting English, Bolshevist, German, and Italian secret agents. I shall confine myself to a simple chronological account. Remember that my topic is the struggle between two conceptions as to the future life of our planet. It is a struggle in which pawns are manipulated on the checkerboard by invisible players who represent, on the one hand, two hundred million 'bourgeois' and, on the other, one hundred and seventy million 'proletarians.' Remember also that this subterranean tragedy has come into the open in various strange, hideous forms—in the kidnaping of General Kutepov, for instance, and perhaps in the assassination of President Doumer.

Whatever contradictory rumors may

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have circulated for many years and will circulate in the future about him, I believe that Captain Sidney George Reilly, of the British Intelligence Service, is the incarnation of the misunderstood hero. Here is his history. Nobody knows the real name or birthplace of this man who had such an important effect on European politics. One of his former collaborators, Bruce Lockhart, who was British consul general in Soviet Russia and was therefore initiated into many secrets, has written that Sidney George Reilly was born in Odessa of Jewish parents. His real name was supposedly Rosenblum and he adopted the name of Reilly because it was the name of his first wife's father, Mr. Kalagan-Reilly.

Division III B, the centre of the German espionage system, against which Reilly struggled victoriously during the War, believed that he was the son of an Irish Jew and a Russian woman. In any case, Sidney George Reilly was in charge of a lumber concern in Port Arthur in 1900. Possibly he had already procured information useful to Japan, which was then an ally of England. 'Commercial' missions for Japan followed. Nineteen-fourteen found Reilly in Russian Poland, where he had been for several years. As a pioneer of a sport that was still in its infancy, he installed aviation bases for the Tsarist government; for Russia and London were on good terms at that time.

III

Then came the War. This strange man was officially an English citizen. He figured as a captain in the Intelligence Service. Undoubtedly he had been working for this institution for a long time, because his number, indicating when he had enrolled as a secret agent, was 'First.'

This captain performed very dangerous counter-espionage missions in Germany. He seems to have succeeded in identifying the officers in the German information service who in 1917 were to serve as managers of the Bolshevist revolution—Lüberts, Von Boehlke, Bayermeister, and Lieutenant Hartwig.

After the triumph of Bolshevism, Sidney George Reilly worked in Petrograd and Moscow against the new masters of the Russian Empire. He discovered not only the worst enemies of world capitalism, but above all the born enemies of the British Empire. He organized the so-called Latvian conspiracy, securing the aid of Colonel Berzin, who commanded the regiment of Red Latvian machine gunners established to guard the Bolshevist leaders. The conspiracy, which was denounced by a Frenchman, failed of success by inches. The leader of the Latvians was executed and Reilly was condemned to death by the Cheka in default of appearance. Later he succeeded in becoming a high Soviet functionary under a false name in the V. Z. I. K. offices, the vital centre of young Red Russia. Unquestionably he knew the amazing Orlov, a former Tsarist judge who became a judge in the Cheka while remaining all the time a White conspirator.

As a 'Bolshevik official,' Sidney Reilly operated in close liaison with another legendary character, Sir Paul Dukes, supreme head of the British spy system in Russia. Sir Paul Dukes was a correspondent of the London *Times* and a director of the opera in

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Petrograd. He married an American woman, a member of the wealthy Vanderbilt family. Like Bruce Lockhart, whose name I have already mentioned, and Commandant Ernst T. Boyce, an elegant gentleman with white hair, he represented the prototype of the perfect intelligence officer. His agents included a bizarre individual with a Russian-Turkish name who soon became a ferocious enemy of the Captain, shifting his allegiance and promoting vast combinations between the American oil interests and the Communist leaders. This character, B—— S——, played only a brief rôle and I merely mention him to show you what gigantic interests are concealed behind these spy stories.

Here is the list of Sidney George Reilly's activities in Leningrad and Moscow up to 1924. He organized the Latvian conspiracy. He made plans to 'suppress' Trotski. He gave Boris Savinkov, ex-minister of war in the Kerenski Cabinet, the plan of and the means of executing the vast anti-Bolshevist conspiracy known as the 'Green Organizations.' The Cheka kept pursuing him and he was three times condemned to death by default. Nevertheless, he went and came freely, left Russia and returned with prodigious adroitness. Did he not serve as an expert on Russian affairs for the British delegation at the Peace Conference? The last time he escaped the Communist paradise, in 1924, the Captain carried away with him a document that later became famous as the 'Zinoviev letter.' Authentic or not, this letter caused the fall of the first Labor Cabinet and the break between England and the Soviets. Am I therefore wrong in stating that the new diplomacy seems even more secret than the old? For a while Sidney George Reilly fought the anti-Bolshevist battle from abroad. Here are some of the episodes.

IV

Boris Savinkov, Social Revolutionary and organizer in Tsarist times of frightful terroristic attacks that undermined the very foundations of the autocracy, later war minister in the Kerenski government and ally of General Kornilov in his fight against the Bolsheviks, organizer of the 'Green Armies,' which were anti-Communist troops composed of Socialists and peasants—the great Boris seemed like a character in a dream come to life. Such a man could not fail to get along with our hero of adventure.

Savinkov arrived in exile and Reilly became his manager. Green organizations still existed in Russia but they needed money and support from abroad. The Captain took charge of providing all this. In July 1924, thanks to the officer in the British Intelligence Service, Boris Savinkov was received at Rome by Mussolini in person. What promises was he given? That is a mystery. But promises were doubtless made, for remember that at this time Italian Fascism had triumphed as a form of anti-Communist reaction.

On August 10, 1924, Boris Savinkov, having returned from Rome, left Paris for Russia, where he was to take command of an armed uprising. The leader of the 'Greens' possessed a false passport made in Italy. This little detail shows the character of his enterprise. He was accompanied by his secretary, Doerenthal.

Some days after they had crossed the Red frontier, the two men were

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arrested by the Kiev Cheka. Summoned before the supreme revolutionary tribunal, Boris Savinkov made honorable amends, announced his conversion to Bolshevism, denied and possibly denounced his accomplices. He was merely condemned to prison. Shut up in the Lubianka prison, Boris Savinkov 'fell' out of a window and was found dead. The Soviet authorities naturally concluded it was suicide. Doerenthal was acquitted and now occupies a high post in the foreign-information section of the Ministry of Foreign Affairs at Moscow.

This second conspiracy of the Greens (the first one occurred in 1918–19) ended in a horrible piece of vaudeville. Discouraged and heartbroken by these acts of treason, Captain Sidney George Reilly departed for the United States. However, his former comrades of the British Intelligence Service in Soviet Russia, having now installed themselves in the Baltic countries, set a new affair in motion. They needed a man of action, an intrepid impresario. Commandant Boyce begged Sidney to return to Europe and take charge of the affair. He accepted and found himself cast into the imbroglio of Trust No. 1 of frightful memory.

It would be both useless and boring to explain the whole mechanism of Trust No. 1. A few details must suffice. Inside Russia the plan was to depend on the famous, fantastic Green organizations, which were to be revived from their torpor by clever Russians. The names of some of these agents will be of interest to us, as we shall see. They included the marine-insurance broker, J. Ghessen, former agent of the Cunard Line in Petrograd; the engineer, Jakonshev; the clerk, Opperput; the former officer, Cherchenko; and a girl called Marie Schulz. Outside Russia an attempt was made to form into a group the solid elements that had emigrated. The leader of these reinforcement troops was the last commander of the White divisions of the Crimea,' General Wrangel's successor, the wise and heroic General Kutepov. The soul of the enterprise could be none other than Captain Sidney George Reilly, veteran anti-Bolshevist and ace of secret struggles.

V

One night in September 1925 Captain Sidney George Reilly entered Red Russia for the last time. Why? That I cannot say. It seems that he risked this dangerous expedition in order to establish contact with a high Bolshevist official who had been persuaded to affiliate himself with the conspiracy. Since then no witness worth believing has seen this stupefying character in capitalist Europe.

Is he dead? The official Bolshevik journals announced that on the 28th of September, 1925, a patrol of Red guards surprised a group of smugglers who were trying to enter Russia by way of Finland near the village of Allakul. Shots rang out. Among the dead bodies that of Sidney George Reilly, the English spy, was discovered.

Is he now a prisoner? A Soviet ex-official, the engineer, Vladimir Brünovski, who was incarcerated in the Butyrki prison in Moscow in 1926 and then expelled to Latvia, declared under oath that he had established contact with another prisoner in the same Butyrki prison. That prisoner, who was under special guard, said he was Captain Sidney George Reilly,

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whom the Bolsheviks had said was killed a year before. I should mention that the engineer, Brünovski, supported what he had said by facts that only the direct chiefs of Sidney Reilly or the Captain himself could have known. The supreme chief of Captain Sidney George Reilly was Sir Archibald Sinclair. One is not entirely sure that Sir Archibald cherished unmixed affections for his subordinate.

As to more recent reports, I can only state what I have heard. From the time of Lord Kitchener to that of Ivar Kreuger, there have always been inventive spirits ready to 'resuscitate' important people who have disappeared. Thus certain press dispatches have stated that Captain Sidney George Reilly has appeared in China, where he is organizing Red armies. Quite recently a Russian journal whose good faith I do not question published two very interesting articles, but they seemed to me based on doubtful documents as far as this special point was concerned. The author of these articles stated that he met the Captain in 1930 in a night club in the French capital. The English officer had gone to a certain shop on the Place Vendôme to claim some goods that he had ordered long before, at the time of his disappearance. The author of these articles boldly concluded that Sidney George Reilly had not been killed or imprisoned but that he had joined forces with the Bolsheviks and that he had been charged with the task of kidnaping his former companion in arms, General Kutepov.

It seems difficult to regard these deductions, which are rather too sensational, as anything more than fantastic. Personally I have made a long investigation of the Sidney Reilly case, and, although I carried my search to the very day he disappeared, I have not been able to arrive at any sure hypothesis. Here, however, is what happened to the subordinate agents in Trust No. 1. The Cunard agent, J. Ghessen, was shot. So were ex-officer Cherchenko and the poor, heroic girl, Marie Schulz. The engineer, Jakonshev, seemed to have joined the Cheka, like so many before him. For the whole Trust No. 1 conspiracy was revealed by Opperput. These Green organizations have always brought misfortune on those who directed them and even on important people who did not know of their existence. Gorgulov, the assassinator of President Doumer, had fought in the most aggressive way in Savinkov's Green organization. But one cannot therefore conclude that he was acting as a member of a Green 'Cheka' rather than as a Bolshevik agent or a mere lunatic.

VI

After Sidney George Reilly disappeared, the enterprise that he was directing continued. General Kutepov became its sole leader, but he was a rude soldier who was not up to his task. Enslaved by an ideal that permitted him no alternatives beside victory and martyrdom, animated by a ferocious will power, a Russian patriot everywhere and always, General Kutepov solicited aid wherever he could find it.

Concerning his possible relations with the parties of the extreme right in Germany, I shall say only one thing: he certainly was not working against France but for Russia. The drowning man does not choose his straws. Nothing could have been more nat-

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ural than that he should have followed up the negotiations entered into with the Fascist leaders by his distant and unfortunate predecessor, Savinkov. General Kutepov was not the man to smell out certain diplomatic *combinazioni* that are as specifically Italian as certain kinds of food. That the Black Shirts had flirted with Stalin seemed to him a complete absurdity.

Perhaps we shall some day know how the leader of a temporarily lost cause acted in respect to the two lines of action mentioned above. But he had still another trump card to play in a third game. As leader of the 'Gallipolians' General Kutepov could count on the remnants of the White Army that had encamped in Yugoslavia. Although I did not think it necessary to study this question in particular, I believe that thirty or forty thousand Russian soldiers could be found exiled on the borders of the River Save. He who had led them through fire was trying to find some way to achieve their ideal and release them from misery. Let me also point out that certain political realists, jealous of Serbian domination and eager to gain hegemony in the Balkans, could not help regarding this state of affairs as a dangerous risk in the event of war.

Kill the soul and the body falls to dust. Remove the leader and the troops quickly disperse. The political realists had already been through this experience in their struggle against democratic forces, and Matteotti, the fiery democratic leader, had been eliminated with dispatch.

Let me add that political realists always understand each other, whatever color their shirts may be—black on the banks of the Tiber, brown in Berlin, or red in Moscow. It is a good thing to exchange little presents from time to time; they sustain friendship. And, after all, this Kutepov might have records of conversations that *somebody* might have had with his predecessors. General Kutepov disappeared on Sunday, January 26, 1930. At ten-thirty in the morning he left his house on the rue Rousselet. His friends were waiting for him in the church on the rue Mademoiselle to celebrate a religious service. He never arrived. He stopped at the Duroc subway station and began walking up and down with a preoccupied air as if he were waiting for somebody.

VII

From this moment on we plunge into phantasmagoria, and when we reread in the newspapers that appeared at that time the testimony that was collected and officially 'verified' we cannot help smiling, in spite of the lugubrious subject. Nevertheless, this story emerges from the confused accounts. The General started toward his home at about eleven o'clock in the morning. At the corner of the rue Oudinot and the rue Rousselet there was a gendarme, one of the so-called 'false gendarmes' revealed in the investigation. The false gendarme had been masquerading there as visibly as possible for several days. A red taxi had stopped on the rue Oudinot and near it on the rue Rousselet was a gray private car. Two men were standing near the gray automobile. They came up to the General as he approached. A 'witness' saw them talk. The same witness, who was looking out of one of the houses, thought he could read the number of the automobile. This ex-

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traordinarily observant person had already noticed that the false gendarme did not have the usual number on his collar. The General got into the gray automobile voluntarily or under constraint—for the witnesses do not agree on this point. The automobile had one or two men on the front seat. Inside, the two members of the Cheka and the false gendarme chloroformed and assassinated their victim. The red taxi followed the gray car.

After this departure other figures appeared—a second false gendarme, corpulent and apoplectic; a lady in beige; a third member of the Cheka in another taxi. Then the red taxi and the gray automobile seem to have traversed Paris and all of France. They were seen on streets going in diametrically opposite directions. They unloaded their tragic burden into packing cases that had arrived specially (and secretly) for the occasion from every side. In short, witnesses and itineraries multiplied so rapidly that the investigation was lost in a maze of incoherence and the judges' records were inflated with nothing at all. The different testimonies were collected without discrimination. They were not passed through the sieve of common sense.

Yet even so there are various criteria. On the stage one might expect people who wanted to kidnap somebody with the greatest possible secrecy to disguise themselves as policemen, but reality rarely borrows the forms of melodrama.

Two automobiles, one of them loaded with assassins gloating over their victim, cannot traverse a country without stopping in one of those little villages where nothing happens without being perceived. Whether the gray automobile went to the coast or to the frontier, it could not have reached the border of our country in less than three hours. Nevertheless, it was not seen with a semblance of certainty anywhere.

Before trying to discover how a man has disappeared it is well to know what people he was to meet that day and whether these people had an overwhelming interest in causing him to disappear. To establish this last point, to answer this capital question, it is rigorously necessary to go through the personal papers of the man you are looking for. Was that done?

VIII

In a criminal case there is nothing so deceptive as preconceived ideas. One must not attempt to fit assassinations, kidnapings, or disappearances into the intriguing framework of the classic detective story. Furthermore, no clue should be neglected under the pretext that it does not fit in with the hypothesis that has been accepted in advance as the only one possible.

Suppose, for instance, that on Sunday, January 26, 1930, General Kutepov has such an urgent engagement at half past ten in the morning in front of the Duroc subway station that he neglects to attend a funeral service which, as a profoundly religious man, he ordinarily would not miss. The General meets two people. Either he meets both together, or else one takes him to the other. One of them is a so-called German banker, an agent of Hitler whom the General knows. From this man the General is expecting material aid that is urgently needed for his Gallipolians in Serbia.

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The other is a secret Fascist agent,—though the General certainly does not know this,—and the mission of this secret Fascist agent is not only to discover the plans of the General but to make it impossible for him to carry them out, that is, to break all contact between him and those Russian troops in Serbia that are making the leaders of Italian policy so anxious. The Hitlerite banker, who is serving as a decoy, may be rightly suspected of maintaining excellent relations with the G. P. U., for international agents are not separated by insuperable barriers.

So much the worse for the General if he finds himself inclosed by four walls with the German banker flanked by the Italian intermediary. Yet that may have happened. I confine myself to hypotheses. There is no need for a romantic kidnaping, since the General has accepted an invitation to a rendezvous. An apartment near the Étoile, a fine house in a tranquil quarter, sees the three men together. Then nothing more.

As ill luck would have it, the German banker was expelled from France after the General's disappearance without being questioned. The Fascist agent regained his native land without being put to any trouble. Who would suspect him? The authorities discovered this plot a year and a half after it may have been realized. What is being done? Nothing. It is too late.

The great network that I have shown you and that winds through those dark regions where international spies swarm, sometimes as enemies, sometimes as accomplices, that great network itself vanishes in darkness, into that jungle where arson is provoked in order to 'burn' agents who have become dangerous. Permit me, by way of conclusion, to repeat what I said at the beginning of this article: when anyone speaks of secret diplomacy's having been suppressed, well-informed people shrug their shoulders.

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James Watt's steam engine made modern industry possible; Adam Smith's *Wealth of Nations* gave our economic system its intellectual basis. Here is a reassessment of both men in the light of Major Douglas's Social-Credit plan.

Two MEN *of* Glasgow

By DAVID WARREN RYDER

AN EVIL STAR must have attended the almost simultaneous births, in Glasgow, Scotland, of an invention destined to emancipate man from the age-old bondage of hand production and of a doctrine that was to enslave him in the cruel shackles of debt. The year 1774, in which James Watt, an obscure Glasgow mechanic, perfected the steam engine, witnessed also the genesis of the 'science' of political economy, enunciated by Adam Smith, Glasgow professor of 'moral philosophy,' in his *magnum opus*, *The Wealth of Nations*. The one was to found and to usher in a scientific era in which man was to gain control of the titanic forces of nature; the other, to elevate to the validity of a moral system cunningly devised rules to facilitate the acquisition of financial wealth.

Thus, for a century and a half, there has been increasingly witnessed the paradox of a world piling up colossal new wealth produced by the inanimate giants of science, harnessed to man's will; and of a world plunging, as the inexorable consequence of adherence to a rigid and inept political economy, deeper and deeper into financial debt. 'In poor countries the people are comfortable. It is in rich nations that they are generally poor.' So wrote Destutt de Tracy, with rare prescience, long before our modern era; and that is the tragedy with which we are confronted to-day.

Why, to-day, are nations of vast wealth tottering on the brink of financial ruin? Why do millions starve in the midst of the greatest plenty and potential plenty the world ever has known? There has been no lack of answers to this burning question. Many thoughtful persons indict the unequal distribution of wealth, pointing out that mass production, to be

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permanently successful, presupposes mass consumption, since, unless the masses are able to consume, there is no profit or reason in large-scale production. Passing over its moral implications, they assert that a system which allows a producer of goods to become a billionaire in a generation—no matter how useful his product—is economically indefensible because the end result of the only process whereby this can be accomplished is the impoverishment of the masses, who thus no longer are able to consume and thereby support further production. Therefore, it is contended, there must be a wider diffusion of wealth through higher wages, salaries, and dividends; shorter hours and working weeks; and, finally, smaller profits to the entrepreneur.

There is little doubt that this would mitigate our difficulty. It probably is a step in the right direction, but, I fear, does not go far enough. Even if our present financial wealth were equally distributed, there would not be enough to buy what industry, under modern machine methods of production, is able to turn out. Moreover, human energy is being more and more rapidly replaced by machines, which means that increasing numbers of workers are being forced out of jobs and thus deprived of their only means of acquiring capacity to consume. Consequently, a merely greater distribution of existing financial wealth is not enough to cure our ills.

A number of equally thoughtful persons have ascribed our predicament to the machine. When, they assert, our production was all derived from human energy, there was no such unemployment and consequent want and suffering as now. It is the machine which, by displacing man on the job, has put us where we are today; and the cure is to scrap the machine. Some of them would do this outright and immediately; others, so to say, would 'cut off the dog's tail by inches.' Mr. C. N. Edge, who, so long as he has confined himself to describing our sickness, has written brilliantly and convincingly, would tax the machine—if not out of existence, at least into a proper relationship with man.

'Transfer taxation from land and man to the machine, and all will be as before,' he says, in effect, leaving the inference that jobs then will be available for all again. If, he says, we were to place a tax of one dollar on every telephone call, every idle man would be employed again in less than thirty days.

Perhaps. Perhaps, if we so desired and decreed, we could go back to the state of society prevailing in the twelfth century. But must we? Or do we want to? Ever since man emerged from behind the curtain of mystery, he has been striving to lighten his labor; and now that with the aid of science he has succeeded, should he, must he, discard this marvelous achievement and return to the long, dark night of primitive serfdom? Tax the machine, which has freed man from bleak, unremitting toil, and which offers now—if man will only do his part—to free him from the thraldom of poverty! As well suggest taxing the fruitful rain because it wets us, or the source of all life, because it sometimes blisters our skin.

No, the machine is not to blame. It stands ready to produce for man the greatest abundance the world ever has known.

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II

What, then, is to blame? I venture to submit that it is simply this: Although the application of science and invention to industry during the last century and a half has completely altered man's environment, so that, thanks to James Watt, the world has passed entirely out of an era of handicraft into a machine age, we still insist on applying to modern conditions the fruits of those economic theories and patterns inherited from that other man of Glasgow, Adam Smith. Or, as Prince Kropotkin, in his *Fields, Factories, and Workshops*, puts it: 'Political economy continues to base its reasoning upon a tacit admission of the impossibility of rapidly increasing the productive powers of a nation and of thus giving satisfaction to all wants. . . . Political economy never rises above the hypothesis of a limited and insufficient supply of the necessaries of life; it takes it for granted.'

What other valid explanation of our direful situation can there be? Certainly it does not accrue from a lack of human skill or energy; nor yet from a scarcity of raw materials or mechanical resources. Still less is it the consequence of a lack of desire for goods. No, what is needed is consuming power—more orders, which means a desire for the goods and ability to pay for them. There is no question about the desire for goods to-day: never was it greater. What is woefully lacking is one single thing—that talisman which transmutes desires into orders—money.

This situation is world-wide. Throughout the habitable globe there is no region untouched by it, unless—irony of ironies—it be some isolated area too remote for 'civilization' to have penetrated. Between twenty-five and thirty million men are estimated to be workless because, although we have solved the problem of how to produce enough goods and services for all, we cannot or will not solve that of providing money wherewith these may be purchased. Plainly, it is mainly a problem of money.

We all know that, with minor exceptions, money, under our present system, can reach the would-be consumer—you and me—only through the wages, salaries, and dividends distributed directly or indirectly by industry in the course of production. And this system, plainly, has failed.

It makes no difference that the need for work and goods is imperative, with suitable plant and material, and armies of unemployed crying for jobs; production cannot proceed without money, and money can be had only on the terms and through the methods ordained by the rulers of our financial system, who rigidly regulate its issue and distribution. And although this system is as antiquated as the ox cart—a relic of the old handicraft era—it is held up by its operators and looked on generally as God-given and holy, not to be changed one iota.

Could there be more incontrovertible evidence that to-day finance is in absolute control; that the industrial portion of our economic system is utterly subservient to the financial?

What is this system—so perfect, so sacred? Whence is it derived? Who developed it? Who now control and administer it; and who or what decrees that it, alone, amid a constantly changing world, must remain unaltered, fixed, static?

In his book, *This Age of Plenty*, C.

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M. Hattersley tells us that the earliest financial system was one of barter, with goods and services exchanged directly for other goods and services.

'However,' he says, 'as time went on, it was found convenient to effect exchanges indirectly through some form of currency tokens, which were themselves objects of value, such as cattle, hides, or gold. Thus at first, exchange by token was only a kind of indirect barter—the goods and services of one man were exchanged directly for the intrinsically valuable tokens of his neighbors, which were later exchanged for some other goods or services required by him. But gradually people began to accept payment in currency tokens, not primarily because these were intrinsically valuable, but because it was found by experience that they would effectively exchange for other goods and services. Where previously the acceptability of the currency token had lain in its intrinsic value, subsequently it became generally accepted because of the function it performed. Thus we reach a stage of economic development in which it became realized that a money token need not possess any intrinsic value at all, so long as it was known from experience that it would exchange readily and directly for goods and services.'

(The growth of this conception is well illustrated by the way people accustomed themselves during the War to accept paper money as the equivalent of gold. When they first commenced using paper, it was because they believed it would effectively exchange for gold, and, through gold, for goods and services. But the reason they continue to accept paper is not that they think of exchanging it for gold, but that they know it will exchange readily and directly for goods and services without the intervention of gold.)

'Thus,' continues Hattersley, 'we arrive at a true conception of the nature of money, which is simply a social mechanism designed to facilitate orderly production and distribution. The money system, to all intents and purposes, is merely a system of tickets entitling the holders to goods and services. Above all, money is not a commodity; it has no intrinsic value apart from the function it performs, and to regard it as a commodity is proof of a radical misunderstanding of that function.'

Thus, the 'commodity token' supplanted barter, and, later, gold coins were superseded by paper. The next development in the evolution of a medium of exchange brings us to what has been termed an 'intangible' form of money—the bank check, which, in everything but the most trivial transactions, has almost supplanted currency.

The origin of our bank check goes back to the Middle Ages, when merchants began entrusting their money for safe-keeping to the goldsmiths. At first, when desiring to make a payment the merchants would draw enough to do so. Later, they found it more convenient simply to give an order to the goldsmith to pay a specified sum of money out of what was on deposit belonging to them. These orders, with suitable modifications, have become our modern bank checks. Similarly, the receipt the goldsmiths gave to the merchants for their deposits of gold evolved into the modern bank note.

This practice must have been as profitable to the goldsmiths as it was

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satisfactory to the merchants, for it was not long until the former, calling themselves 'bankers,' began to solicit customers. And, as a perfectly natural development of this idea, came in 1694 the founding of the Bank of England, a purely banking institution whose history may be commended as a most interesting and vital 'human document' and as one most revelatory of the increasing power of organized finance over the destinies of nations and the welfare of their peoples. Indeed, it would hardly be too much to say that during most of the last two hundred years the government of the British Empire has vested less and less in Parliament, King, and other constituted political authorities and more and more in this altogether private institution, answerable to no one—the Bank of England, which, up to the outbreak of the World War, also exercised supreme financial dictatorship throughout the whole civilized world.

III

Accustomed as we are to conceive of despotism as embodied solely in political satraps,—kings, emperors, tsars, dictators, and so on,—it is difficult to comprehend the vastly greater, more insidious despotism of organized finance. Operating silently, almost always covertly, with none of the pomp, fanfare, and ostentation of the political ruler, it has succeeded in developing a power before which political rulers quail and cringe and in integrating a system which, by controlling the very lifeblood of industry, business, and commerce, dominates completely our whole economic and social life.

Quite as might be expected, all this began in a small way, and with the most legitimate motives. Banking was a necessity of economic and social progress, hence banks flourished from the very first. Their service was valuable, so they quickly won a place of usefulness and esteem in the community. Unfortunately, what could not be foreseen were the abuses this originally beneficent system was destined to beget.

With the growth of banking, it was not long until most of the ready money of the community found its way into the hands of the bankers. There was constant putting in and taking out, of course, but always a very large amount remained untouched, since depositors as a whole never needed to withdraw more than a portion of their deposits at any one time. Thus, the bankers gained possession of a fund of available money far beyond any sum necessary to meet likely demands.

Obviously, it would have been 'unbusinesslike' to have let this fund remain idle. Accordingly, the bankers sought some fruitful use of it. Thus originated the bank loan—the letting out of some of this surplus money, on hire, to some merchant or manufacturer who could furnish tangible guarantees of its repayment at a stipulated time. Later, when it was observed how very little, relatively speaking, of this money, even when loaned, actually left the bank, a system of book transfers was developed which obviated the transfer of the real money to the borrowers. Thus originated 'credit,' which is strictly a mere matter of book entry, but which is none the less money—so much so that the prevailing practice is to settle accounts by transfers of credit on the books of the banks. And so we see

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that banks not only 'buy and sell' money, but that, through granting credits, they also actually create it, besides, of course, controlling its flow.

What blood is to a human being, money—which, of course, includes credit—is to our modern industrial system. It is easy, therefore, to realize how close and important is the relation between monetary policy—the policy regulating the quantity of money in circulation at any one time—and industrial activity. One kind of policy generates prosperity; the other kind creates stagnation.

To explain how a policy of monetary expansion induces an industrial 'boom' and how a contrary one of monetary contraction engenders a depression, although simple enough, would require more space than is here available. Moreover, it is scarcely necessary. This is a proposition so basic that no intelligent, informed person will offer to gainsay it—granting, of course, that there are sometimes minor collateral contributing circumstances.

Neither is it likely to be gainsaid that the ultimate control of the quantity of money (including credit) in circulation rests, under the present system, with the bankers. They can decree 'monetary expansion' and thus create a 'boom' that puts everyone to work, with consequent general prosperity; or 'monetary contraction,' which causes, at best, a depression, and at worst, a panic, with all the industrial stagnation, unemployment, want, and suffering such as now engulf the world. Here, again, there are contributing circumstances, but these exercise a minor influence. Monetary policy is the important thing.

I submit that monetary policy as decreed by the bankers can do these things because it has done them. The 'boom' in America between 1926 and 1929 was made possible by monetary expansion, the 'easy' money that the large bankers ordained. And the depression and panic from which we still suffer are the inevitable consequences of their action in ordering monetary contraction, 'tight' money, after having gone to very considerable lengths in encouraging the speculative orgy ending with the crash of October 1929. To be sure, they did not expect it to carry so far. Forces that they underestimated or did not comprehend combined to give it a scope and intensity beyond their expectations. But it is admitted that they decreed the inflation which engendered the depression; and their attempts to arrest it began only when its ravages threatened not only their control of the financial system but the very existence of that system itself.

IV

Why—someone may ask—should the banks do such a thing? The answer is easy. Becauses it pays them to. Because, under the existing financial system (which exists solely because we allow it to), it is to their benefit to have one monetary extreme succeeded by another. When a boom is on, demands for loans are so great that interest rates soar sky-high, and the banks profit vastly by lending money (which includes credit). When a depression is in force, values sink to incredibly low depths; and the banks, having possession and control of the money (including credit), are able to buy up or otherwise to take over property of all kinds at a mere fraction

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of its normal value. As for making a choice between inflation and deflation, the banks ordinarily prefer the latter. It is customarily attended by less risk to themselves, and their profit is surer and greater.

Says the British banker, Lord Milner: 'Just as productive industry welcomes rising prices, the moneyed interests must always be in favor of falling prices, because they render its own wares—money—more valuable.' And, as J. M. Keynes has pointed out, 'deflation involves a transference of wealth from the rest of the community to the *rentier* class and to all holders of titles to money. In particular it involves a transference from all borrowers . . . to lenders.'

In the light of this, perhaps it will be less difficult to understand why, when nearly all other business is at such a dangerously low ebb, our big banks are still making their profits. In 1932, according to financial reports, the great Chase National Bank paid a dividend of 11¼ per cent on its common stock; and the National City Bank, whose president declares that our economic system is 'the best in the world,' paid a dividend of 10 per cent. Quite evidently, as Lord Milner has said, falling prices have rendered the bankers' wares—money—more valuable.

What it pays us to do, we generally will do, if, as the saying goes, we can 'get away with it.' And since the suzerains of our financial system are answerable to virtually no one, they can easily 'get away with it.' Accordingly, we need not be at all shocked or even surprised when we discover that they have deliberately created money shortages. Many of us can recall the depression and panic of 1892–93. However, probably few know that this was created deliberately by the big banks, which, unable otherwise to get their way in national finance, ordained that the people should be given what they termed an 'object lesson.' Arthur Kitson, in his *Industrial Depression*, says:—

'In 1892 Grover Cleveland was elected President of the United States on practically a free-trade or low-tariff platform. At that time the currency of the United States consisted . . . principally of paper and silver. But a bill had been passed under the former Republican administration authorizing the Government to purchase six million dollars' worth of silver per month and to coin it or to issue paper notes against it. The result was a regular addition to the currency of the nation—an addition that the continual growth of trade evidently required. The measure was put into operation and no difficulty arose until after the inauguration of President Cleveland. . . . Congress was summoned and a message from the President read, asking for the repeal of the Silver Purchasing Act. Congress refused and was thereupon dismissed. A convention of the leading New York bankers was then called and word sent to every national bank throughout the United States to attack credit, for the purpose of giving the people what the bankers termed an "object lesson." A crisis was to ensue, and the press was told to inform the people that the cause was the Sherman Silver Purchasing Bill.

'The following is a copy of the confidential circular sent to all the national bankers:—

'"Dear Sir,—The interests of national bankers require immediate finan-

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cial legislation by Congress. Silver, certificates, and treasury notes must be retired and the national-bank notes upon a gold basis made the only money. This requires the authorization of from $500,000,000 to $1,000,000,000 of new bonds as a basis of circulation. You will at once retire one-third of your circulation and call in one-half your loans. Be careful to make a money stringency felt among your patrons, especially among influential business men. Advocate an extra session of Congress for the repeal of the purchase clauses of the Sherman law; and act with the other banks of your city in securing a large petition to Congress for its unconditional repeal, as per accompanying form. Use personal influence with congressmen; and particularly let your wishes be known to your senators. The future life of national banks as fixed and safe investments depends upon immediate action, as there is an increasing sentiment in favor of governmental legal-tender notes and silver coinage."

'The conspiracy—one of the cruelest and most scandalous in the history of the Republic—was successful. Credit, upon which industry is built, was shaken, and the public—ignorant of these questions, particularly of such an abstruse one as the currency—accepted the reasons offered by the press and demanded that their congressmen vote for the repeal of the bill. In the autumn of 1893 the Silver Purchasing Bill was repealed.'

Nor was this the first manifestation of such methods. An American Bankers' Association circular of 1877 reads: 'It is advisable to do all in your power to sustain such newspapers, especially in the agricultural and religious press, as will oppose the issue of greenback paper money, and that you also withhold patronage or favors from all applicants who are not willing to oppose the Government issue of money. Let the Government issue the coin and the banks issue the paper money of the country, for then we can better protect each other. To repeal the law enacting national-bank notes or to restore to circulation the Government issue of money will be *to provide the people with money and therefore seriously affect your individual profits as bankers and lenders*.' (The italics are mine.)

V

'Ancient history, all this,' someone may say. Granted. But our financial system, in its essential respects, is the same to-day as it was then; real control of it is still in the same kind of hands, and its major objective and methods have not changed. Indeed, the only change of consequence is that control of the financial system and thus of financial policy by a small group of men, nonelected and not subject to actual restraint, has become more complete and ironclad. Thus, to-day, more than ever, our welfare, individually and nationally, depends upon the financial system.

Now, while we might wish that bankers were all demigods or saints,—and thus beyond the temptation of 'profit' and of other frailties of human nature,—they are merely human like the rest of us; and most of them, probably, are as much victims of the financial system as we. So there is no warrant for, and nothing to be gained by, indiscriminately denouncing them for practices that hardly can be characterized other than as nonsocial. They merely are playing the game accord-

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ing to the rules, and, if we don't like the game, it behooves us to change the rules. If our financial system is obsolete and inept, and in its operations more fruitful of evil than of good, then rather than cavil against those who administer it, or even against Adam Smith, whose canons have kept it in vogue—rather than do this, we should so alter it that it will serve our present needs; remodel it so that it will be as modern, effective, and serviceable to us all as the production system ushered in by the genius of that other man of Glasgow, James Watt.

Such an alteration is as possible as it is necessary. In fact, plans to do just this are already in practical form in England, worked out in full detail and matured by a group that includes, among many others, the Marquess of Tavistock, member of the House of Lords and of one of the oldest titled families in England; Major C. H. Douglas; A. R. Orage; C. M. Hattersley; and Professor Frederick Soddy—the last four all brilliant economists of the new school.

The acceptance of these proposals is being resisted, of course. It is human to prize power; and the present financial suzerains would be more than human if they relinquished voluntarily the power with which the existing financial system vests them. Such has been the history of every important social reform: besides the inertia that makes us all averse to change, there has been the resistance of all those who would personally benefit by the continuance, unaltered, of the existing order. But in all history there is no record of a necessary reform's being successfully resisted. It may have been deferred, but it could not be prevented: there is no stopping the march of exigent events.

From the Reformation dates our religious, from the French Revolution, our political, freedom. Economic freedom still is wanting. But, thanks to James Watt, the power to gain it is well within our reach. There remains for us only to cast off the dead hand of an obsolete financial system; and then we shall really be free!

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BOOKS ABROAD

LE JAPON ET SON EMPIRE. *By Mme. Andrée Viollis. Paris: Bernard Grasset. 1933. 15 francs.*

(Marc Chadourne in the *L'Europe Nouvelle*, Paris)

CHINA, Japan . . . Passing from one to the other is not simply like changing continents; it is like changing from one species to another, or even like changing from the vegetable to the animal kingdom. It is like passing from the invertebrates to the vertebrates. Both the countries and the people are radically opposed. One can not imagine two natures more different—one ferments and boils; the other contracts and compresses itself to the bursting point. Japan has earthquakes; China purges itself with floods. The Celestial Empire wallows incoherently in the mire of anarchism. Neat and meticulous, little Japan whets its claws. On the one hand, complaisant chaos, flourishing disorder, slipshod wars, ridiculous governments, graft raised to an economic, political, and social institution, progress swallowed as much as possible by tradition. In Japan, discipline, restraint, frock coats and stiff collars, tradition engulfed by progress, Occidental order, fiercely attained, engendering terrible crises, Americanization leading to overproduction, unemployment, and hara-kiri. Even when it is afflicted with the colic, the Chinese belly digests its food and takes things easy. Japan suffers from a constant stomach ache, not to mention nervous disorders and megrims. Smile at the Chinese and he expands; speak to the Japanese and he chokes.

Hence our secret preference for the Chinese Republic, with its inorganic chaos, its Confucian smile, and its radical politicians, rather than for the neurasthenia and turbulent militarists of Nippon. The heart has its reasons that the mind is forced to justify. Thus Mme. Viollis's remarkable study of Japan reveals the sympathy that her liberal heart feels for China and a sentimental tendency to condemn the occupation of Manchuria that has occurred in the conflict between the two countries.

Mme. Viollis is an intrepid reporter, and she has retained tragic memories of the fighting that she witnessed in Shanghai: 'Thickset soldiers, their jaws jutting out beneath their helmets, pursue with ogres' steps thin, fleeing silhouettes. Faces with distorted grins, leveled revolvers, the noise of gun butts descending on bent backs, and a young sailor pricking the loins of an old Chinese woman with his bayonet. She staggers along on her poor deformed feet, falls, and rises again with the piteous cries of a trapped mouse.' Cruel scenes that evidently affected her nerves and her sensibilities and inspired her with a positive aversion for Japanese militarism and its aims. However, to be quite fair one should perhaps recall that not so long ago Shanghai—and also Canton, Nanking, and Hankow—witnessed other massacres in which Chinese soldiers subjected equally defenseless people to no less barbarous treatment. And the aëroplanes that bombarded Peking in 1930 were not Japanese planes but Chinese planes.

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Asia is Asia, and if it is unreasonable to consider Japan as the 'rampart of order and civilization' in the Far East, it is no less so to attribute all atrocities to the 'Boches of the Far East,' a formula as facile as it is fallacious.

Let no one conclude from this that Mme. Viollis is any less concerned with being impartial than she is with understanding the Japanese reality. *Japan and Its Empire* is the most complete and true panorama that we have of the Land of the Rising Sun. Thanks to its exceptionally rich documentation, lucid exposition, vivid and brilliant descriptions, and accurate portraits, this book enlightens us marvelously as to the political orientation of a country toward which the debates and reports of Geneva have attracted our curiosity without satisfying it. It reveals to us particularly the formation of a Fascist movement which, beginning with socialism and ending with nationalism, offers some curious correspondences with Italian Fascism and Hitlerism.

The fundamental causes of this movement, in which Mme. Viollis sees the culminating stage of Japanese evolution, are, so she tells us, 'disappointment in the parliamentary system as it has been conceived and practised in Japan; defiance toward European ideas and civilization—by which patriots say the country has been misled for sixty years—and a return to the ideal of old Japan, a purely Asiatic ideal; the economic depression, which has seriously affected the lower classes, and especially the middle class, the petty bourgeoisie, and the intellectuals; hatred of the big capitalist trusts; the absence of labor legislation; and, finally, the distress of the rural population. All these contradictory and paradoxical causes of discontent unite to form a tremendous force that penetrates and animates an intense and aggressive patriotic sentiment.'

Whither is this budding Fascism tending? Mme. Viollis sought to learn its principles and objectives both from the proletarian parties from which it received its inspiration and from the nationalist organizations proper. Among the most significant of the declarations that she culled is that of the secretariat of the Koku-on-Sha, or Japanese Imperialist Association, which is supposed to be the group most capable of uniting the Fascist societies in common action:—

'We lend our support to the army, but our aim is merely to maintain peace and order in the Far East. We do not covet territory. We preach "Nipponism," which combines all the advantages of nationalism, Fascism, and communism: but we do not for an instant forget the principle that is the basis and the driving force of our country: the supreme power and divine nature of the Emperor. It is in the interests of the poor classes that we wish those who possess power and money to take the initiative in the revolution.'

Such is the programme of the Koku-on-Sha, which, Mme. Viollis tells us, 'seems to represent the median opinion of the country.' It is, indeed, an eminently moderate programme. But the patriotic vaticinations of great leaders like General Araki, when he launched this battle cry at Baron Tanaka, 'Our country is determined to propagate its national ideal across the seven seas, to spread and disseminate it over the five continents of the earth, even if force is necessary,'

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makes us fear that the young army may lead the country into the worst kind of adventures.

'Whither Japan?' asks Mme. Viollis as, in the last chapter, she discusses the menace so often evoked of a conflagration in the Pacific capable of disturbing the equilibrium of the world. In view of the complexity of the problem, the great value of this vivid and detailed study is that it gives us, along with the sentiments and reactions of the author, an objective and dispassionate judgment.

THE CASE OF IVAR KREUGER. *By Manfred Georg. Translated from the German by L. M. Sieveking and Ian F. D. Morrow. London: Jonathan Cape. 1933. 7s. 6d.*

(From *The Observer*, London)

BESIDES giving a detailed account of the career of Kreuger and of the incredible structure of finance that crashed upon him in the end, Mr. Georg devotes a good deal of attention to the study of his baffling personality. The comparison with Napoleon was inevitable, though the Emperor seems much the more human creature of the two. Kreuger always kept the parallel in mind; his last house in Paris (which he never occupied) had a terrace at the same height as the Vendôme column, 'so that he would have the figure of Napoleon on a level with him.' Mr. Georg writes with impartiality, but it is a repellent picture that he draws. The ideal of the money-maker pure and simple, cold-blooded, calculating, as aloof and secret as a miser, has hardly been better realized. It was quite in the part that his tastes were of the simplest. He ate little, restricted himself to half a glass of champagne, seldom smoked, cared nothing for dress. His one weakness was flowers; we are told that he was especially fond of lilies of the valley. His absorbing passion was for power, which he attained at first by sheer business capacity and a genius for organization, and then, as his operations grew wider and their foundations more and more insecure, tried to maintain by every species of duplicity and forgery. He was thought impregnable. We are told that when on one occasion the auditors had discovered irregularities in the balance sheet,

> Kreuger rose from his seat, brought down his hand on the table, and said, very quietly and clearly:—
>
> 'Do you by any chance suppose that I have been doctoring the accounts?'
>
> With uplifted hands, everyone refuted the shocking suggestion. The accounts were passed.

His ventures, as we know, were world-wide. From matches and timber and building he became an international financier, and nations in difficulties sought his help. It was to aid his operations that Sweden went off the gold standard. And at the end there was a deficit of thirty-seven millions; and among the countless victims were his father and many of his friends.

We have a grim account of the later days, when Kreuger came back from America, a shattered and shadowed man, after the interview with Pierpont Morgan that sealed his fate. It was the American collapse and the Hoover moratorium that were the finishing touches; but for years the edifice that had once been so solid had become a house of cards. The 'irregularities,' it was proved, must have gone back ten years or more. The tragedy, with its damaging effects upon confidence, has

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done much to accentuate the world depression, and Mr. Georg's book is useful, not only as a chapter of history, but as a warning.

AN INDIAN MONK. *By Shri Purohit Swami. With an Introduction by W. B. Yeats. London: Macmillan and Company. 1933. 7s. 6d.*

(F. Yeats-Brown in *The Spectator*, London)

'IN THE shadow of Mount Girnar I learned the alphabet of the spiritual life from pilgrims of every condition and language while walking the streets with my begging bowl.' This sentence sets the key to a curious and interesting book. The Brahman who tells us here of his quest for the noble path of wisdom of his forefathers pursued a very different way from that of the Christian mystics, and it will be hard for the reader, with perhaps a Franciscan ideal of joyousness in his mind, to enter into the self-centred yet self-abased attitude of the Indian. But, if he can do so, he will have learned much of a race that is doubtless the subtlest-minded of mankind.

It was fortunate for Shri Purohit Swami that he came to Europe, and attracted the attention of Mr. Sturge Moore, Sir Francis Younghusband, and Mr. W. B. Yeats, who writes a discerningly sympathetic introduction, for without such helpful counsel and powerful support I doubt if he would have been able to prepare so sincere and striking an account of an Indian mystic's life, or to find a publisher for it when written. 'The reader of the lives of European devotees,' says Mr. Yeats, 'may at first be disappointed in this book; the author's life is modeled on no sacred example, ordered by no well-tried conventual discipline . . . and yet he has what we have not, though we once had it—the heroic ecstatic passion prolonged through years.'

The Swami begins his story with his infancy at Badnera. We are told that after he was born, 'when according to kindly custom mothers came to visit my mother and the babies were passed round that they might benefit by other milks,' a Mahratta lady wished to suckle him, but that his grandmother forbade it, saying the Mahrattas ate fish, eggs, and meat—'Do you think we can let you nurse our son?'

At the age of nine he was invested with the sacred thread of the Brahmans, amid feasting and rejoicing. His father then communicated to him the sacred Gayatri Mantra, and he was taught the Vedas. Shortly afterward he met his first Mahatma, 'who looked as if he were fifteen and was always stark naked.' At school he studied philosophy diligently, and passed all his examinations with ease, but a professor said: 'My dear boy, do not think these books will help you in achieving what you wish to attain. They are all dry bones. You must go to some yogi, who will initiate you in the processes of life.'

Through many trials and temptations, physical and mental, the Swami was gradually led to a life of contemplation and to the feeling-realization of monism. He passed his nights in meditation, weaning his mind from the objects of sensual desire, until at last he met his own Mahatma.

As I entered, the swami, who was sitting on a tiger's skin, rose, our eyes met, and I flew to meet him, and he fondly clasped me in his arms. What a great bliss it was to be in the arms of that great, blessed soul! It was the purest form

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of bliss I had ever enjoyed. Our common friend, who had introduced me to the swami, was dumfounded when he saw how familiar we were with each other. That was love at first sight. It was pure, divine love, and it shines to-day in the hearts of both as it did on that first day. The swami, while still embracing me, said softly, with music in his voice, 'We meet again after such a long time!' Yes, he was right, we had known each other in past incarnations. He knew it, I did not.

However, the Swami did not entirely neglect his worldly affairs. He took his LL.B. degree, and he married; the chapters telling of his life as a householder are among the strangest and most striking in the book. He loved his wife; they meditated together; he had children by her; yet eventually, with her consent, they separated forever, she to continue to look after his children, and he to follow his destiny to the supreme initiation. That is an attitude very hard for the Western mind to understand.

The steps along the Swami's mystic way are delightfully contrasted with his life in the world. He meditates in a forest and plays ping-pong with some students; he climbs the sacred Mount Girnar and enters for his university examinations; he visits the famous shrine of Kedarnath in Kashmir and on the way down meets an Englishman who regales him with biscuits and *café au lait*. We read some amazing stories of the habits and powers of mahatmas. One was able to stop a railway train from starting. Another could vanish from a locked room. A third stayed in the house of a courtesan, and consorted with drunkards, yet was renowned for his sanctity. Although some parts of the Swami's story are incredible, we must not ask of him that the world of his thought and sense-perception should square with ours. For instance, in this account of a vigil in the temple where the Lord Dattatreya is traditionally reputed to take His rest, we may accept the spirit of the Swami's devotion without straining our belief in the miraculous:—

I decked the bed of the Lord with garlands till everything looked beautiful. I was sure that the Lord would be pleased with this service. The room was locked, and the priest took away the key. I squatted on the floor as usual . . . The door opened at His knock. I stood aghast while it was silently closed; then I heard the creaking noise of the bed as if someone were lying down on it. I moved to the door and could hear sounds quite clearly as if someone were turning over from side to side. The whole atmosphere was surcharged with perfume. I watched with rapt attention. There was no doubt in my mind that the Lord was enjoying His rest. In the morning the door opened and was shut again; the sound of the Lord's pattens was heard going away, and sweet perfume filled the air. The Lord had gone.

I do not know whether Shri Purohit Swami is acknowledged as a guru in his own country. I should be inclined to doubt it. He has literary charm, but not perhaps the intellectual vigor that is so characteristic of the great teachers of India. I doubt also whether experiences as alien as his are to the mind of the West can be of much practical assistance to a European desirous of following the practice of yoga. But as a story of spiritual enlightenment the narrative is enchanting and will reveal to the sympathetic reader much of the mind and heart of India.

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AS OTHERS SEE US

Europe and the Dollar

AMERICA'S abandonment of the gold standard had a uniformly bad press abroad except in England, where there is a growing sentiment in favor of general currency reform. Neville Chamberlain and Montagu Norman, however, could not have viewed America's action with anything but dismay because the guiding policy of the British Treasury and the Bank of England has been to raid the gold reserves of those countries that continued to redeem their currencies in metal, and the decision of the United States to follow up its temporary suspension of gold exports with final refusal to honor any obligations in gold prevented them from purchasing dollars with paper pounds and then demanding gold. Diplomatic considerations have prevented this point of view from being officially expressed, but the following comment from the London *Statist* expresses some of the fears of London's financial community:—

While it is difficult in these times, when capital movements play so important a part in the exchanges, to say whether the pound has been over- or undervalued on the basis of purchasing-power parity, it does at least seem clear that the threat of inflation in the United States at any rate will cause some appreciation of sterling in terms of the dollar and depreciation of the dollar in terms of gold, now that it is to be left to find its own level. The consequences must be, first, that this country will lose some of the premium on exports which has been the means of sheltering us during the past eighteen months from some of the worst developments of the depression during that period, and also that the effective height of some of our tariffs will be reduced. It is impossible to foresee how far these tendencies will go until the extent of the appreciation of the pound is known. Secondly, the depreciation of the dollar in terms of gold must inevitably weaken the hold on the gold standard of the many countries pretending to maintain it and the few actually doing so, for the invitation to a bout of currency depreciation is not merely becoming irresistibly seductive but is almost becoming a necessity. The possibility of a wholesale abandonment of even the pretense of an international standard of value is now a reality, and this is indisputably the most serious aspect of the whole situation. It may be, as Mr. Roosevelt evidently hopes, that it will force the nations of the world to return to a new gold standard at lower parity levels, but it also offers the possibility of a currency chaos as bad as or worse than that which prevailed immediately after the War. Mr. Roosevelt is having a bold gamble, with enormous economic issues as the stakes, that the nations will be able to agree among themselves to arrange their financial relationships. Whether we are to have coöperation or chaos now turns upon the results of the World Economic Conference, and we would do well not to overestimate the possibility that the various nations will be able to agree on the relative parities to which their currencies are to be devalued. Possibly Mr. Roosevelt's action may stir some of the nations hitherto the least cooperative out of the egotism in which they have been wrapped, and his realistic treatment of the problem may produce good results from that point of view. On the other hand, it would be foolish to disguise from ourselves the fact that greater risks now attach to failure than before.

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The *Daily Herald*, official organ of the Labor Party, whose policies run counter to those of the National Government on almost every subject, heartily indorses the Roosevelt move and hopes that England will coöperate in a scheme of controlled, world-wide inflation:—

The United States has decisively 'gone off gold.' President Roosevelt has taken his courage in both hands and has decided for a bold policy of controlled inflation. Day in, day out, the *Daily Herald* has urged that currency restriction has been one of the main causes of the economic crisis of the past years. Day in, day out, we have urged the need for a properly regulated inflation in this country. Gradually there has come round to our view an overwhelming body of public opinion. Most of the 'experts' are now for 'reflation.' Business men, even bankers, are for it. The press is rallying to the cause of common sense. But the Government, the Treasury, and the Bank of England have remained obstinately timid, have clung with a dull loyalty to the old idols.

Great Britain might have given a lead to the world. But the opportunity has been left to the United States. Mr. Roosevelt has had the courage that Mr. MacDonald has lacked. The President's move is a wise one. But it calls for immediate international action, for which the conversations of the next days fortunately give opportunity. For, wise though it be, it involves a danger.

An American inflation will force down the dollar exchange—the mere announcement has already had that effect. That will stimulate American exports. There will then be the peril of a competition between the various exporting countries, each trying to depress its exchange in relation to the other, and of such a competition's leading to a race in inflation and a breaking down of the essential controls.

The need for inflation is urgent, but it must be an inflation within limits. And it is world inflation, not inflation by one or two countries, that is required. If all the chief countries inflate roughly to the same extent, the danger of competitive inflation disappears, the disturbance of the exchanges is minimized, and purchasing power is increased everywhere.

That is not merely desirable; it is essential. But it can be done only by agreement, and agreement must follow negotiation. Acceptance of the principle, negotiation of the details, are the most urgent task of international statesmanship today.

'Pertinax,' political editor of the *Echo de Paris*, dreads the international complications of inflation:—

As far as stabilization of the dollar is concerned, we must report disappointing results. No other question is more vital to the whole world, especially to France. Responsibility in the matter falls chiefly on England because its persistent refusal to stabilize the pound encouraged American inflationist forces and because Mr. MacDonald did not take full advantage of his visit to Washington to win over Mr. Roosevelt and his collaborators to the cause of monetary orthodoxy, since Mr. MacDonald's chief preoccupation was to keep the pound flexible and to retain the Ottawa tariff agreements.

In short, Mr. MacDonald agreed with Mr. Roosevelt merely in regard to a form of negotiation aimed at preventing monetary warfare. The only idea that he seems to have had in his head, an idea which was put there by Mr. Leith Ross, was that the present margin between the dollar and the pound on the foreign-exchange market must be maintained without any reference to gold, and that nothing more is required to safeguard everything that needs safeguarding. The rest could be seen to later. Mr. MacDonald and his collaborators closed their eyes to the terrible danger to America and to the world in the really revolutionary possibilities of inflation now existent in America.

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Mr. Leith Ross preached to his American friends that in order to fulfill their purpose of causing domestic prices to rise they had only to practise credit inflation without inflating the currency. But credit inflation had proved useless under Mr. Hoover and the American Congress is now heading toward currency inflation. The English negotiators underestimate this peril. Nothing effective was therefore agreed upon. America will continue its effort to raise domestic prices, France will be concerned solely with maintaining its gold standard, and England will only try to keep the relative positions of the pound and dollar constant. These three separate policies run the risk of turning against each other very rapidly, and monetary and economic hostility will be followed by political hostility.

Frédéric Jenny, financial editor of *Le Temps*, whose columns are the mouthpiece of the French Foreign Office, accuses the United States of abandoning the gold standard solely in order to force the British to stabilize the pound:—

The one thing certain is that America's abandonment of the gold standard was not imposed by any technical necessity, foreign or domestic. The dollar was not suffering from irresistible pressure. The violent fluctuations of the exchange market after the 15th of April arose essentially from psychological causes, from the campaign conducted in certain Congressional quarters in favor of inflation, perhaps from the attempt to reëstablish the gold embargo. A reassuring declaration by the American Government would probably have been enough to stop these abnormal fluctuations. Had it been necessary to allow some exports of gold, the Federal Reserve Banks could easily have stood the strain, since their gold stocks had risen by some five hundred million dollars since early March.

We are therefore forced to conclude that the American Government, not having been compelled to enforce a gold embargo by any necessity to defend its gold reserves, which were more than sufficient, arrived at its decision on the eve of international conversations in Washington of the highest importance because it was motivated by the prospect of these very negotiations. In other words, it felt that instability and decline on the part of the dollar would provide it with ammunition that would force foreign governments into economic or monetary concessions.

Official declarations denied this motive but they have not succeeded in completely obliterating it. The desire of the United States to see the pound sterling stabilized is too well known and the memory of certain thinly veiled threats that important American newspapers formulated recently in this connection is too vivid for the financial and political opinion of the world not to be tempted to establish a connection between what has just happened to the American currency and the uneasy debate between America and England on the future of the pound.

What will be the future of the American currency? It would be rash to predict at the present moment. Elements of resistance and even firmness still exist. The United States has a favorable balance of payments, abundant gold reserves, a small quantity of dollars in foreign hands, opportunities to purchase those back in the course of international speculations on a fall of the dollar. But the existence of these elements will evidently not prevent the American authorities from proceeding to devaluate the dollar if they consider that that method is necessary to give the country the 'adequate' money that President Roosevelt spoke of some weeks ago. These elements are still in control of the situation and probably will remain so, provided they do not allow the currency to be completely demolished by unconsidered inflation such as one group in Congress demands.

The future of the pound sterling has

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also become more uncertain and the British Government may find itself in a peculiarly embarrassing position. On the one hand, it will refuse to consider stabilizing the pound as long as the fate of the dollar is not decided. On the other hand, confronted by an abnormal flow of capital into the London market on account of the instability of the dollar, the British currency authorities may encounter serious technical difficulties in preventing the pound from rising unless the gold standard is rapidly reëstablished.

As for the franc, the fall of the dollar will not affect it. The franc has already had its crisis, which was a severe one, since it suffered a devaluation of four-fifths. This loss, however, has given it an indestructible solidity, further guaranteed by a stock of gold, which should enable it to face all eventualities. France, as our finance minister has declared, will therefore maintain the gold standard. In the midst of universal upheaval it will preserve the firm ground that assures monetary order and its currency will show to other nations the only way to survive and the only way by which the world can find its way back with a sound money to normal activity and security for to-morrow.

The Germans, having suffered more grievously from inflation than the French, regard the future of America with even more profound dismay. The *Vossische Zeitung* of Berlin, for instance, makes this disturbing prophecy:—

The country whose entire pride has consisted in having dethroned the pound sterling as the queen of all currencies and set up the dollar instead acquired a tremendous responsibility when it met with this success. It was a responsibility from which the world will never be able to release it, even under the present overwhelming circumstances. We need only recall the innumerable loans and extensions of credit, the numberless contracts executed in dollars, to measure the extent of the catastrophe involved in America's embargo on gold exports. The important thing is not how great the fluctuations of the American currency will be—the possibility of currency fluctuation itself destroys all the relationships of international commerce and credit. The greatest disillusionment for all concerned is that, on the eve of the World Economic Conference, which was to have led to a happier future after so many years of misery, the worst economic collapse that one can conceive of has occurred.

We do not doubt President Roosevelt's intention to restore not only the gold standard but the gold parity of the dollar in the future, but we fear that he did not choose the right method to bring England and the countries whose currencies are tied up with hers around to stabilization. Even granting him the best intentions in the world, it seems to us even more doubtful whether he can succeed in quelling the storm that he himself has unleashed. Though England, after being forced in despair to abandon the gold standard, has been able to control sterling exchange, it could only do so because the head of the Bank of England adopted a more prudent and, perhaps, a more intelligent credit policy than he had pursued before. But the most important aspect of what has happened in America is the enlargement of the volume of credit and the increase of currency for the purpose of stimulating business. If an attempt is frankly being made to raise the price level, we must not be surprised if America's present favorable balance of payments becomes unfavorable.

The Americans will be correct in their assertion that their currency policy cannot lead to a dumping of American money on the world market if the dollar is devaluated by the same amount that the domestic price level is raised. But all past experience denies that such a balance can be achieved, and when we remember that the mere announcement of the gold embargo caused the American currency to

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drop ten per cent we can readily imagine the nervousness that now exists among non-American exporting firms.

Great international inflation epochs have always proved that one nail drives another. Once the gold foundation of any one country's currency is withdrawn, the mistrust that that engenders drives its currency to the heights. Decreasing currency values raise the domestic price level. Higher prices mean a decline in the balance of trade and a further decline in the value of the currency. In this way control of the currency has often slipped from the hands of the most cautious director of a bank of issue, and, if he finally blames all his disasters on the ruthless activities of international speculators, that provides cold comfort to himself and his impoverished country. It is a significant symptom of the spiritual confusion created by the economic crisis that centuries of historical experience are cast to the winds again and again. A country that has once suffered with its own body the tortures of inflation guards itself against repeating the experiment. But other nations will not learn lessons from the history of their neighbors. Therefore one is preaching to deaf ears when one repeats the simple, logical arguments stating the consequences of inflation. The gold currency, which cannot break down, is held responsible for its own mismanagement and made the scapegoat for every economic injustice. The governors of the great banks of issue have made serious mistakes during the years of great economic activity. But one is throwing out the baby with the bath when the gold currency is abandoned.

The agreement to measure the value of every object by the amount of fine gold that it brings on the free market as the result of supply and demand can never of itself damage the economic system. Give up the measure that you have chosen without providing a new one in its place and you at once create a period of feverish activity in the economic system that temporarily resembles prosperity. But finally confusion beyond repair sets in, and in order to end that confusion the world must rediscover the gold standard.

Priestley on Marx

To Groucho—not Karl—Marx, J. B. Priestley pays tribute in a recent issue of the *Week-end Review* and by his side he puts Jimmy Durante, another musical comedy star of Broadway who has won international renown in the films as a comedian:—

Several of the chief Hollywood drolls are showing new pictures now, and the other night we were talking about them. Let me say at once that at the head of all the comic geniuses in the film world I put Walt Disney, or whoever it is who is responsible for the Mickey Mouse and Silly Symphony pictures. These make all other comic films look stupid and clumsy. Of the buffoons proper, my own favorites are Groucho Marx (the one with the spectacles and the painted moustache) and Jimmy ('Schnozzle') Durante, both of whom I have seen on the stage as well and have talked to in private. It is not Groucho Marx's machine-gun rattle of wisecracks that makes him such a great droll, but his unique, cheerful insanity, which is a glorious parody of the manners and methods of a whole gigantic class of American citizens, hopeful but idiotic traveling salesmen, and the like. The disillusioned but infinitely zestful and comic Jew speaks through Groucho Marx. Jimmy Durante has not quite succeeded yet in making his film performances the equal of his best stage acts. His glittering little eyes and fantastic nose, his hoarse East Side voice muttering strange slang, his battered but still eager personality, his colossal exuberance, the faint and unconscious touch of pathos, all these lift him high above the other film comedians. I can imagine him wandering, a crazy waif, through the Elizabethan tragi-comedies.

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OUR OWN BOOKSHELF

AUSTRIA OF TO-DAY. *By Victor Wallace Germains. New York: The Macmillan Company. 1933. $4.25.*

AUSTRIA OF TO-DAY is unique in two respects. First, it is the work of a man who possesses the gift of historical intuition as well as the practical point of view of a high financial executive. Secondly, research and a clarifying command of language have been nicely coördinated, although the author does seem to lack historical training and background in the same sense in which most men do who write books about post-war nations.

Austria has always struck a keynote in the European concerts and discords of the last thousand years. During the post-war generation, she may rightly be described as the 'sore toe' of Europe and the first nation to develop most of the political, social, and economic tendencies that later spread elsewhere. In writing of Austria, Victor Germains has therefore furnished in dramatic and inspired manner such an unprejudiced picture of world conditions among the post-war generation as no responsible person would willingly neglect. And that such a book should be the brain child of a conservative English gentleman who dedicates it to the Right Honorable Stanley Baldwin is not without significance. Let us be prudent in our judgment, merely saying that no post-war 'history' of any country has given us so much the feeling of 'inspired history.' Certainly no other historian, to our knowledge, has had the foresight, while 'glorifying the statesmen of the twentieth century,' to give Dr. Johann Schober the high rank he deserves.

FEVER HEAT. *By Josef Maria Frank. Translated by F. H. Lyon. New York: Macmillan Company, 1933. $2.*

'WHEN one has a temperature of 103 one is n't an "extremist," one's delirious.' Thus Herr Frank describes the general condition that has prevailed in Germany since the death of Stresemann. After the acceptance of the Young Plan 'a sort of political influenza, for which there seemed to be no medicine,' spread over Germany. 'People risk their reserves to get more capital; loans are flung to everyone who wants them and small shopkeepers are turned into speculators. Everyone's founding, creating, financing, producing—and rationalizing! And people are surprised that there's unemployment.' And in Part III, Chapter 3, the schoolboy, Von Ziethen, propounds the clearest and most profound estimate of contemporary German youth that we have seen anywhere in print.

If the author had been as objective in his presentation of characters as he has been in his presentation of historical conditions, one would not hesitate to pronounce this book one of the great historical novels of these times, perhaps of all time. One feels, however, that the author himself turns protagonist in his delineation of individuals, yet rises to epic power in his less 'personal' moments. Of course, he is strongly anti-Hitler, pro-Jewish, and anti-national; but he evidently has tried to be fair, and has succeeded about as well as some professional historians have. Regarded as a novel alone, *Fever Heat* is one of the most skillfully composed and exciting 'good novels' that we have read in recent times. Regarded as a history of the rise of the National Socialists, it surpasses most of the trash, fiction or otherwise, that we have read up to now. It has its bias, but that in itself enhances the book's value to the seeing eye of the trained reader. *Fever Heat* would make exceptionally good 'required reading' for every statesman, headmaster, and historian.

CONTEMPORARY SPANISH LITERATURE. *By Aubrey G. Bell. New York: Alfred A. Knopf. 1933. $3.*

INCREASED interest in the trends of events and ideas in Spain should make this an auspicious year for the new and revised edition of *Contemporary Spanish Literature*. As Aubrey Bell points out, Spanish writers are seldom given to the peculiarly Western habit of cloaking originality with the false disguises of obscurity and vagueness. In literary as in social theory, Spanish thought displays an initiative that tends to change a carefully ordered system into a living force. 'When the world has grown to years of discretion . . . the spiritual influence of Spain is likely to be

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very great.' For the legend of a restricted Spanish outlook is dead; it is a part of the past. New ideas have been admitted, although the Spaniard has maintained his right to examine and reject them.

The works of Baroja and Unamuno from the Basque Country, of Machado and León from eastern Spain, and of Galdós from the Canaries may be said to represent more than a transition. A creative movement is already under way: Azorín has brought renewed vitality into prose; Benavente has freed the drama and earned his Nobel prize; Ortega y Gasset has injected a new reducing agent into philosophy and exposed it to a new chemical analysis. Such vibrant shots as those of Bergamín: 'Reasoning has nothing to do with the reasonable,' 'True solidarity is possible only among the solitary,' throw revealing light on Spain's spiritual recrudescence.

THE MIND OF CHINA. *By Edwin D. Harvey. New Haven: Yale University Press. 1933. $3.50.*

WESTERN interest in China, which was greatly increased by the events at Shanghai last year, has resulted in a crop of novels, which, in turn, have added to this interest. The Yale Press is therefore timely in bringing out *The Mind of China* by Edwin Harvey, for many years a professor at Yale-in-China. This study sets out to refute the defeatist maxim of the inscrutability of the East by considering separately the various factors that have come into play in the formation of the Chinese system and the Chinese mentality.

Although religion is admittedly a preëminent influence, 'the great mass of the people,' says Professor Harvey, 'have but the flimsiest notions of the lofty ethico-political systems of Confucius or of Dr. Sun Yat-sen.' It is the 'inveterate animism' motivating the Chinese to which he devotes the major part of his book. Not only the worship of ancestors' spirits, but complicated and endless superstitious observances and taboos grow out of the belief in the all-pervading world of demons or disembodied spirits. According to this author, Confucianism, Taoism, and the various Chinese sects of Buddhism have flourished only as grafts upon the worship of these manes, without whose propitiation nothing, down to the most ordinary transaction, may be undertaken.

In describing primitive superstitions the system of *The Golden Bough* is followed, stating a premise and following it with examples and anecdotes. Here the general argument of the work becomes somewhat obscure and the examples therefore become tedious, as Frazer's never do—at least in his abridged edition. It is often hard to see the forest for the trees, but in the end the relation of this elaborate animism to the religion and history of China is revealed. Notes and sources are exceptionally well catalogued in an outline at the back. Thus the book is useful as a reference document, while remaining at the same time readable to the more casual inquirer about China.

MODERN ITALY, A SHORT HISTORY. *By George B. McClellan. Princeton: Princeton University Press. 1933. $3.50.*

THIS outline of the creation and development of modern Italy signalizes another achievement in the varied career of its author. It is a well condensed and reasoned record of the making of Italy by Cavour and the making of Italians by Mussolini, as well as a chronicle of the sixty years that separated these two giants. But that uninspired period of heterogeneous governments seems to have set the key for the entire volume, which gives the impression of a general text-book.

From the point of view of the casual reader, the book is almost too well balanced, too impartial. One misses the enthusiasm of a Trevelyan, a W. R. Thayer, or of Mr. McClellan's own *Venice and Bonaparte* in his account of the supremely romantic years of the *Risorgimento*. The explanation of Mussolini's success and of his theory of government is singularly well conceived and well stated. Although a strong, almost an extravagant advocate of Mussolini, he retains to a surprising extent the judicial calm characteristic of men who have retired after tasting life at the centre of affairs. If the reader wants a concentrated and authoritative statement of the facts about the development of modern Italy, he can find it here, but he will be disappointed if he is looking for highly colored narrative.

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THE GUIDE POST
(*Continued*)

East describing the plans of the British oil interests in Irak therefore possesses timeliness as well as inherent importance.

UNTIL the depression broke upon the world, frustrated Americans and Europeans always felt they could retire to the tropics if the worst came to the worst. But a resident of the Dutch East Indies says that a vast migration of white settlers back to Europe has set in because the slump in the price of raw materials has affected that part of the world even more seriously than industrial stagnation has affected Europe.

HEINRICH HAUSER'S 'Casuals of Berlin' illustrates the human problem that the Hitler counter-revolution has not even begun to solve. But it is more than a picture of the dark, unnoticed background against which the puppets of the Nazi régime are cavorting. It is a reminder that the same conditions are creating in this country the same human types that Herr Hauser depicts in Germany.

XAVIER DE HAUTECLOCQUE tells two more spy stories, this time about Russia. The hero of his first is the British secret agent, Reilly, who seems to have been killed in the course of one of the numerous anti-Soviet manœuvres set in motion by the British Intelligence Service. Incidentally, Captain Vivian Stranders, whose name appears in the course of the article, has taken out German nationalization papers and is to receive a high position in the Nazi movement. Captain Stranders was arrested in France in 1927 and found guilty of sending information concerning French air defenses to German secret-service agents. To get back to the Hauteclocque article, the second part deals with the kidnaping of the White Russian, General Kutepov, in Paris three years ago. M. de Hauteclocque advances the theory that the General was the victim of a Nazi-Fascist-Communist plot, because the Italians feared that his former troops, now quartered in Yugoslavia, would be used against them and the Russians wanted to put him out of the way on general principles. The Nazis, it seems, were sufficiently in league with both the Russian Communists and Italian Fascists to allow one of their members to serve as a decoy.

DAVID WARREN RYDER, an American advocate of the Social-Credit Plan, who has studied its theories in England under the auspices of Major C. H. Douglas, the originator of the movement, discusses the achievements of 'two men of Glasgow'—Adam Smith and James Watt. The interest in new economic theories that THE LIVING AGE stimulates has encouraged us to print from time to time original contributions of this kind.

TWO German novels received exceptionally favorable reviews in our September 1932 issue. The longer and more favorable one was by René Schickele, who recommended *Ein Mann zog in die Stadt*, by a new and unknown writer called Walter Bauer. We entitled this review 'Heir to Remarque' and used it as an article with the prophecy that Herr Bauer's name might be more widely known in America at some future date. Our 'Books Abroad' department for the same month contained a shorter and almost equally enthusiastic review of Hans Fallada's *Kleiner Mann —was nun?*, which we also said might have possibilities in the United States, although the German reviews rated the Bauer book higher. Well, the German public did not agree with the German critics, and Fallada's book became the sensation of the year. We translated a chapter from it in January and it is now the Book-of-the-Month Club selection for June. All of which is by way of preface to the account of Herr Fallada's career that appears in 'Persons and Personages.'

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WAR AND PEACE

THERE can be no economic peace in the world without political peace.—*Dr. Hjalmar Schacht, president of the Reichsbank.*

I feel sure I have done all I could to prevent our children from witnessing the return of the horrors of war.—*Édouard Herriot, former French Premier, on his return from the United States.*

There will not be a war in fifteen days, or months, in my judgment. There is no chance of European war for some years to come, but after just visiting many parts of Europe I do think we are drifting slowly and very surely toward another European war later.—*Sir Philip Gibbs, British journalist.*

It would be fatal if the World Conference were to look for vague formulas in which to veil fundamental disagreements and mental reservations. Good will must be shown in action and, let me say, in common action, because all countries are alike concerned with the economic and financial future of the world. None of them can hope to work out its own salvation through what may mean serious handicaps for other nations.—*Guido Jung, Italian Finance Minister.*

The whole of the mechanized, motor-driven forces of either side will meet at once under or in the sea, in the air, and on land. Each will be, must be, rushing forward to seize an advanced base for its aërodromes and oil depots on enemy soil. That first encounter will most certainly decide the war. The victorious tanks and aëroplanes will eat up the hostile infantry and artillery as half a dozen heavily armored knights of the wars of the Jacquerie could, and did, eat up a thousand armed, but unarmored, peasants. Then, they will begin to lap up the civilian population as a cat laps up cream.—*General Sir Ian Hamilton.*

Our archenemies, the Germans, are getting ever more threatening. The Hitlerites are committing bestial atrocities against the Polish populace and are seeking to destroy in a barbaric manner everything that is Polish. The omnivorous German hydra is raising anew its many-headed body. Its jaws are spitting flames of hatred and its thievish claws seek prey.—*Poster of Polish League for the Protection of the Western Provinces.*

By what has happened in Germany peace is threatened, and the great security for peace is that at present Germany is unarmed and not in a position to go to war. The whole tone of her policy and the trend of her mentality lately has shocked British opinion, which since the War undoubtedly has been sympathetic to Germany in many ways.—*Viscount Grey of Fallodon, president of the British Liberal Council.*

Consider our position. We are living at the foot of two volcanoes, so to speak. Our nearest neighbors are China and Russia, powers whose futures are unpredictable. They are quiescent at present, but plentiful rumbling shows they are not extinct. We have an army the same size as Poland's. How, in our position, can we reduce it unless very great changes occur?—*Viscount Kikujiro Ishii, Japanese statesman.*

If, then, Japan succeeds in her present war of conquest in China and possesses herself of the strategic and material resources to invade India on the morrow of the departure of the British raj (a development, it must be emphasized, that is inevitable in view of the necessity of the India market to Japanese industrial power), it must be plain to India, particularly to Nationalist India, that there is a vital relation between the Manchurian question and Indian freedom and security.—*Eugene Chen, former Chinese Minister of Foreign Affairs.*

What the British will do about the embargo we do not know. What America will do about recognition we do not know. We don't even know what Japan will do about war, and all three of these unknown quantities have great importance. But what counts most to us is this year's harvest. If the crops are good—and the prospects so far are better than we expected—we can tell the whole world where to get off.—*Karl Radek, Soviet journalist.*

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